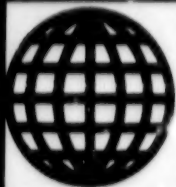


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GENERAL

'Unremitting' Struggle Against Chemical Weapons Urged

40050258p Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 4, 23 Jan 89 p 25

[Article by Mao Ruiqing 4243 3843 3237: "The Banning of Chemical Weapons is the Common Wish of All of Mankind"]

[Excerpt] [Passage omitted] The delegates from the various countries all approved of the banning of chemical weapons. This is a foundation for a total ban on chemical weapons. There are, however, still many problems before we actually reach an agreement. The portion of the Geneva Disarmament Talks focusing on a treaty for the banning of chemical weapons has already gone on for 17 years. Although we have made progress on some problems, through the mutual effort of all parties, we still have differences on some specific issues such as verification.

China's observers believe that the convening of the Paris Conference on the banning of chemical weapons is in accordance with the wishes of the peoples of all countries. However, the conference is in the final analysis only a forum and cannot fundamentally solve the problem. If the world is to realize a complete ban on chemical weapons, it must continue to struggle unremittingly.

NEAR EAST/SOUTH ASIA

Perspective on Middle East Peace Developments

40050197a Hong Kong LIAOWANG [OVERSEAS
EDITION] in Chinese No 1, 2 Jan 89 p 3

[Article by Zhang Lanhua 1728 5695 5478: "Important Developments in the Middle East Peace Process"]

[Text] Recently, a string of dramatic changes have erupted on the stage of the Middle East, the climax of which was the announcement by the United States government on 14 December that it had agreed to begin direct and substantive talks with the Palestine Liberation Organization (PLO). Two days later, both sides met in Tunis, location of the PLO headquarters, for the first round of official talks. This ended a 13-year stalemate during which the United States had refused direct contact with the PLO, and has brought a new improvement to the stalled Middle East peace process.

The American decision and the American-Palestinian talks were immediately widely welcomed by the international community, and the United Nations Secretary-General Javier Perez de Cuellar called this an historical turning point. The Soviet Union also praised this contribution by the United States toward Middle East peace.

Egypt considered that President Reagan's decision will improve relations between the United States and Arab countries and will strengthen the position of the moderate wing of the PLO, and it hopes that this act is the opening by which the United States will understand the right of the Palestinian people to self-determination.

The American government has always seen the PLO as a "terrorist organization," refusing to talk with them. When a month before, PLO Chairman Arafat had wanted to speak before the UN General Assembly, the United States refused to issue him an entry visa on grounds of "safety," for which it received condemnation from the world community, and especially from the Arab countries. How could the American position have undergone such a great change?

At first glance, the direct reason for the American change in position was the PLO satisfaction of three American conditions to begin their dialogue. At a meeting held for reporters in Geneva on 14 December, Arafat clearly expressed to the world that the PLO acknowledges the right of Israel to exist, condemned all forms of terrorist activity, and accepted UN resolutions 242 and 338 as the basis for resolving Middle East problems. This satisfied the three pre-conditions the United States had proposed in 1975 for dialogue with the PLO. Four hours after Arafat's speech, the U.S. Secretary of State, George Schultz, announced that "the United States agrees to hold direct talks with the PLO representatives."

But the change in the American position, or perhaps we may say the new developments in the Middle East peace process, is due to broader and deeper reasons. It has to do with rather realistic conclusions obtained after 40 years of tests of strength in the general tendency at present toward international detente, and is also the long fight for achievement of the Arab people, and especially the Palestinian people.

For more than a year, 1.5 million Palestinians on the West Bank of the Jordan River and in the Gaza Strip have used rocks to wage an unyielding battle with the Israeli occupying army in protest to that occupation. This has played an important role in spurring on developments in the Middle East situation. This battle that has been going on within the Israeli occupied area has not only given a serious blow to Israel, but has also caused heavy losses in the areas of manpower, material goods, and finances. This has once again drawn the attention of the world community to the Palestinian question that has been gradually bogging down, and this has forced the United States to face this fact: without settling the Palestinian question, there will be no peace and stability in the Middle East, nor will there be security for Israel, which would threaten the strategic advantages for the United States in this area. And another thing: the Palestinian people living in the occupied area are demanding their freedom and their right to exist, and they are certainly not advocating dumping

Israel into the ocean. Their realistic attitude and support of the main faction of the PLO, and of Arafat himself, give a firm public basis for the policy of realism adopted by the PLO.

From what the PLO leadership has said, the change that has come about from the advocacy of exterminating Israel that was present in their "charter of nationality" to the recognition of the right of Israel to exist has been a long process, and is the conclusion derived after a bloody and bitter struggle over 40 years. At the end of July 1988, Jordan's King Hussein announced a severing of administrative and legal relations with the West Bank, which forced the PLO to quickly pick up the burden of managing the affairs of Palestinians in the occupied areas, and they proclaimed the establishment of the state of Palestine. Consequently, the Palestinian independent state whose national territory is under occupation is like a "castle in the air," and it is very difficult to carry out the affairs of state. Developments in the situation have hastened changes in policy. In order to actually realize the self-determination of its people, the PLO must seek out truly feasible methods—by the convention of an international peace conference to politically resolve the Palestinian question. Facts over the past 40 years have proven that neither the Palestinians nor the Israelis can eliminate the other with military power. Seeking the right to exist—that is a shared aspiration for both the Palestinian and Israeli peoples. Self-preservation means that you must also let other people live. "Come! Let us build peace together!" called Arafat in his speech to the UN General Assembly as he expressed the heartfelt desire of the Palestinian people. This cry for peace won the sympathy and support of all countries and peoples of the world who love peace.

From a world perspective, the general trend toward detente among international relations that has been brought about by the detente in Soviet and American relations is certain to affect the resolution of regional conflicts. In the areas of global strategy, the reduction in military preparedness, the alleviation of regional conflicts, and improvements of relations with neighbors, the Soviet Union has opened up a positive and realistic full-scale external relations offensive. In comparison, the United States is obviously lacking in flexibility. Observing nations believe that the decision by the United States to agree to direct talks with the PLO is undoubtedly putting new life into their passive and rigid Middle East

policy. In addition, valuing this period of transition for the American government, for the Reagan administration to adopt this action is obviously part of a desire to maintain continuity in its foreign policy. The American Time magazine labeled the American decision as "a Christmas gift to the Bush administration." Someone close to Bush said that Bush is in the process of seeking new ways to resolve the Arab-Israeli conflict.

So what has been the reaction of the current Israeli government since the PLO offered a hand of peace?

Israel, which has occupied Arab land for a long time and has looked down upon the PLO, felt very disappointed and depressed in the face of the peace offensive initiated by the PLO and the American-PLO talks. The Israeli premier, Shamir, called this decision by the United States a "disastrous mistake," felt that it is a "major concession made toward Arafat," and announced that Israel would never change its position toward the PLO.

Even so, the obstinate position of Shamir cannot be representative of the desires of all the Israeli people. The American decision to talk with the PLO was in fact supported by such leftist organizations and persons as the domestic "peace now" movement. Among the Israeli ruling parties, the Labor Party headed by Peres expressed a tone that was not completely in accord with the Likud Party as they advocated that "Israel must face reality," and felt that now is the time for Israel to make its choice: should they continue to occupy the West Bank and Gaza Strip, or are they prepared to exchange land for peace?

The PLO acknowledgment of Israel's right to exist and the American-PLO direct talks are major events for the Middle East peace process. It is certain to move forward the political solution of the Arab-Israeli conflict. Nevertheless, frozen depths of 3 feet are not the work of one cold day. Eradicating old animosities and new resentments from the 40-year-old Arab-Israeli conflict will take time. When the current Israeli government will change its course is hard to determine, and whether radical factions within the Arab lands and Palestine have alternatives is also difficult to know. The Middle East international peace conference might begin in 1989, but even if it begins, that is not the same as coming to an agreement. Nevertheless, the general trend is toward a political resolution of the Arab-Israeli conflict, and this is becoming acceptable to more and more people every day.

Political Controversy Over Building of Three Gorges Dam

40050221b Hong Kong CHIUSHI NIENTAI [THE NINETIES] in Chinese No 228, Jan 89

[Article by Ling Feng 0407 6912: "The Three Gorges Dam Controversy: What Will the Central Government's Final Decision Be—the State Approved In Principle the Construction of the Three Gorges Dam in 1984, but the Project Was Postponed Due to Noisy Opposition—Experts Have Launched Full-Scale Studies; No Compromise Has Been Reached, but the Final Report Favors the Go-Ahead—Upstream and Downstream Interest Groups Continue To Fight for Their Respective Interests and Have Refused To Compromise—the Controversy Has Continued for 2 Years; Millions Have Been Spent. The People's Congress Must Be Careful in Making Its Final Decision."]

[Text] On 30 November 1988, CPC news media reported that studies pertaining to Changjiang's Three Gorges have been concluded with the close of the ninth enlarged meeting of the Three Gorges Project Studies Leading Group. The 2 1/2-year long special studies have basically come to an end.

Although there has been much disagreement during the course of studies, the head of the Three Gorges Project Studies Leading Group and former minister of water resources and electric power, Qian Zhengying [2929 2973 5391] said that the Three Gorges project's 10 special topic study reports had been ratified in principle by the leading group. The leading group agreed with the conclusion drawn by the "Comprehensive Economic Evaluation" report: the dam should be built, and it should be built sooner rather than later, and the central government has been asked to make the final decision as soon as possible.

The History of the Three Gorges Plan

Changjiang is China's longest river. Reportedly, the Three Gorges area has the potential to generate as much as 30 million kilowatts of hydro-electric power. It has the world's richest source of water-energy and is also the best place to develop Changjiang's waterpower resource. The first person to think of developing the Three Gorges' waterpower resource was Dr Sun Yat-sen. In his "Program for National Reconstruction," he suggested "building a dam to stop the flow of water to let boats sail upstream and conserve water for irrigation." In 1953, in obtaining a report on a program to manage Changjiang, Mao Zedong said, "despite all the efforts we have spent on repairing the reservoirs in the tributaries, we still have not met the goal of controlling the floods. Why can't we concentrate on damming the water at the Three Gorges?"

Both Sun Yat-sen and Mao Zedong were leaders with a great sense of revolutionary romanticism. Sun Yat-sen had drawn crisscrossing railroad trunk lines on the map

of China as a part of his grand reconstruction plan. Mao Zedong had written poetic verses about the "magic mountain" of the Three Gorges. But it is not an easy task to turn romanticism into reality. Sun Yat-sen did not have the chance to govern the nation, and during Mao Zedong's administration, although initial reports on the Three Gorges project had been drafted since the mid-1950's, because of the continuous political movements and the economic disaster brought on by the even more romantic "satellite fields," the goddess of the magic mountain was neglected. As a result, the "prodigious achievement" of turning a romance into reality has landed on the laps of the CPC leaders who have "brought order out of chaos" and are now striving to realize China's Four Modernizations.

Since 1976, the Ministry of Water Resources and Electric Power and the Changjiang River Basin Planning Office had submitted a series of supplementary plans and reports on the project. In April 1984, the State Council approved in principle the construction of the Three Gorges Dam, and in its wake, the related "Three Gorges Province" issues also quietly surfaced.

Restudying the Issue Amid Protests

During that period, there had been dissenting opinions, but they were suppressed by the people in power at that time and were not publicly disclosed. The persistent undercurrent in the NPC and the CPPCC meetings in the Spring of 1986 put the focus on the issue again. What happened was, Qian Jiaju [0578 1367 7467] was supposed to speak before the CPPCC but was repeatedly prevented from doing so, and finally he was allowed to speak only on educational issues, and in the process, he criticized an unnamed "fishing excursion." The "fishing excursion" he did not name was the Three Gorges project. Since most of the opponents of the Three Gorges project were specialists and scholars in the CPPCC, in order to overcome "obstacles," Vice Premier Li Peng, who started his career in the Water Resources and Electric Power Ministry, used the late Zhou Enlai's esteem in the democratic faction and tried to suppress the opposition via Deng Yingchao.

The opposition faction had valid arguments too, and some aged democrats even threatened suicide to stop the Three Gorges project. The highest CPC authority was forced to make the decision to conduct further studies. The Three Gorges Province Preparation Group was dismissed; instead, the State Council set up the Three Gorges Economic Development Office to head the scientific research and organize the study groups and make construction preparations. In addition, the State Council also set up two other committees: the Changjiang Three Gorges Investigative Committee, headed by Li Peng and assisted by State Council members Song Ping [1345 1627] and Song Jian [1345 0256], and a Three Gorges Project Coordinating Group, made up of members of the State Council, the National people's Congress, the CPPCC, and the Central Advisory Commission of the

CPC Central Committee. The committee was made up of Li Peng, Wang Renzhong [3769 0117 6850], Cheng Xiaohua [4453 1420 5478], and Bo Yibo [5631 0001 3134] (in April 1988, Wang Renzhong left his post as vice chairman of the standing committee of the NPC to become vice chairman of the CPPCC, and any personnel change in the committee is unknown.) Qian Zhengying, then minister of water resources and electric power, was named the head of the Ministry of Water Resources and Electric Power's Three Gorges Project Studies Leading Group, and Vice Minister Lu Youmei [7120 0147 2812] was named deputy head. Li Peng described the attitude of the leadership as, one, positive, and two, cautious.

Because the opposition faction could not express their view through the "mouthpiece of the party," members finally put their opinions into a collection of more than 50 articles, and the book was published by the Hunan Science and Technology Publishing House in the Spring of 1988. At that time, even publishing the book ran into difficult, but eventually they prevailed. The book is entitled *On the Grand Decision of the Three Gorges Project*. Well-known physicist Zhou Peiyuan [0719 1014 3293] wrote the preface; another well-known physicist Wang Ganchang [3769 3227 2490] wrote an article about the book. He wrote implicatively: "Many major newspaper articles have advocated that the Three Gorges project be launched promptly, quickly. The truth is, to let the people, and particularly the leading departments, know that there is a dissenting opinion that can contribute to finding a more comprehensive, more accurate way to study and handle this matter."

The Three Gorges Studies Leading Group has invited 412 specialists from 40 different professions to participate in the studies. Fourteen special topic groups were formed to study the following 10 topics: 1) geology, earthquake, and pivotal structures; 2) hydrology and flood control; 3) soil and shipping; 4) power system and mechanical and electrical equipment; 5) population relocation; 6) ecology and environment; 7) construction; 8) investment estimates; 9) comprehensive planning and water level; 10) comprehensive economic evaluation. The studies began in June 1986. On 21 November 1988, at the ninth enlarged meeting, the leading group discussed the last two topics. Qian Zhengying drew her conclusion that the dam should be built based on the 10th topic, "comprehensive economic evaluation." Her conclusion seemed to have been based on a rather narrow point. Can the comprehensive economic evaluation speak for all issues?

The More Controversial Issues

The Three Gorges project is a major water conservancy project. It is designed to provide flood control, electricity, shipping, and other comprehensive benefits. Although all the study reports have confirmed the comprehensive benefits of the project, many have pointed out that the benefits are localized and that there are other

problems. Except for the fairly unanimous opinion on the power generation issue, the following issues have been fairly controversial, and they will not be easy to resolve:

1. Flood control. Flood control has been regarded as one of the major economic benefits of the Three Gorges project. After a reservoir is built in the Three Gorges area, the volume of water can be controlled to prevent flooding in the mid and lower reaches of the Changjiang. But some people worry that the heavy silt deposit in the reservoir will raise the water level and jeopardize the upper reach of the river. The construction of Huanghe's Sanmin Gorge Power Station threatened the safety of Xian and the Guanzhong Plain because of rapidly accumulating sand and silt, and for that reason, the project had to be halted in midsession. Water and soil conservation is very inadequate particularly at the upper reach of the Changjiang. Water discharged from the reservoir is filtered and will erode the foot of the embankment. Worse yet, at the mouth of Changjiang, the decrease in the amount of silt may allow sea water to reach further inland.

Another argument is, historically, Changjiang has unleashed four major floods. The 1931 and 1954 floods brought damages to the Wuhan area, but Sichuan escaped both times. Sichuan was flooded in 1870 and again in 1981, but on those occasions, the water level in Hankou was 2 to 4.5 meters below the worst flood in 1954. People who look at this feel that the flood control function of the Three Gorges project will not benefit the mid and lower reaches of the river that much, but the higher water level will have an adverse effect upstream.

2. Shipping. It is estimated that after the Three Gorges project is complete, the water level upstream will be high enough for 10,000-ton fleets to sail all the way to Chongqing, thus increasing Changjiang's shipping capacity. Since it is time-consuming for ships to go through locks, ship lifts have been considered. Opponents suggest that it is not just a matter of the tonnage of individual ships but it is the annual capacity of the entire Changjiang's water transport that counts. If a reservoir is built, the ships will have to wait to get through the five locks, but today, without the locks, they can sail anytime, night or day.

3. Safety. Studies show that geology favors the Three Gorges project. The area is not only suitable for large water conservancy and hydroelectric power projects, but it also can withstand the pressure of a reservoir. An earthquake in the area will not register higher than a 6 on the Richter scale. However, explanations regarding war are farfetched. The report says alarm can be sounded to release the water. It would take at most 7 days to lower the water level to the flood control limit. But we are talking about minutes and seconds in a modern war; where do we get 7 days to drain off the water?

4. Ecology. Studies show the project can psychologically relieve the people of their worry about floods, reduce pollution in power generation, improve local climate.

reduce the amount of silt deposit in Lake Dongtinghu, help regulate Changjiang's flow, and help prevent the outbreak of snail fever downstream. But some adverse effects are irreversible: for example, it will ruin the natural scenery and the historical sites of the Three Gorges, one of China's 10 scenic spots; some rare animals and resources will be endangered and may even become extinct; the far side of the reservoir will be flooded and waterlogged, and there can be mudslide in the reservoir area; there can be ecological and environmental problems when cities and townships and people are moved. The weather, the hydrology, the people's health, the survival of plants and animals will be affected too. Some of these effects are difficult to gauge. Agricultural production too may be affected.

5. Emigration. The Three Gorges Reservoir area is a densely populated area. Based on 1985 census, an area with 725,500 people will be inundated. Taking into consideration population increase and other factors, to complete the relocation process by the year 2008, more than 1.13 million people will have to be resettled. In addition, more than 350,000 mu of land, including 70,000 mu of citrus grove, and more than 600 factories and mines with in excess of 800 million yuan in fixed assets will be submerged. This is like moving a small country. Using the 1986 price index, it will cost 110.61 billion yuan. And it is in this sense that the longer the Three Gorges project is delayed, the more people will have to be moved, and the higher the cost and the greater the loss.

An Unsettled Economic Account?

6. Investment. Based on 1986 figures, the Three Gorges construction project will cost a total of 36.11 billion yuan. Studies show that it would take 18 years to complete the project. Investment will be higher in the initial period, but this will not adversely affect the state's objective to quadruple the 1980 GNP by the year 2000, because the total investment will amount to only three-hundredth of a percent of the GNP throughout the construction period. When power generation begins, it will bring substantial benefit and will have a very positive effect on the national economy. It is estimated that all the investments can be recouped within 5 years after completion of the project.

The opposition faction feels that cost estimates have been very conservative as a ploy to get the project started sooner. It is certain that there will be cost-overrun during construction. This is what Qian Jiaju referred to as a "fishing excursion." There is a lesson to be learned from earlier mistakes: Changjiang's Gezhou Dam was estimated to cost only a few hundred million yuan. There was cost-overrun from the very beginning, and the final cost was five times the original estimate. Between 1986 and 1988, inflation has become much worse. The 1986 figures are certain to be too low. According to Qiao Peixin [0829 1014 2450], former vice president of People's Bank of China and president of the Monetary

Association of China, the Three Gorges project will cost between 200 billion to 500 billion yuan. This will certainly exacerbate China's inflation. The country simply cannot afford it, and in view of China's present economic situation, it could bring chaos. There is too much of a difference between 36.1 billion and 500 billion yuan. Either side could have made a mistake. How can a project begin if investment figures have not been ascertained?

In addition to the above-mentioned disagreements, some people also object to the project because of the present management system, because the present group responsibility system is a no responsibility system. Take the example of the widely publicized Huanghe Sanman Gorge Power Station project of the 1950's. It has failed; several hundred millions have been wasted, and to this day, nobody has taken responsibility. To manage the construction of the Three Gorges project this way is very risky. Some articles have also pointed out that in view of the quality of the personnel, party tendency, and the general mood in society today, no matter how detailed the studies, plans, and programs, ultimately, they have to be implemented by people, and the people factor will affect the result of the implementation. For this reason, the Three Gorges project should not be launched in haste; it should not be undertaken until the quality of the personnel has been improved and the party tendency and social mood take a turn for the better.

On the other hand, there is an urgent demand for more electric power. Should China abandon or delay this project and look for an alternative?

Some people think that it is better to build some small and mid-sized hydroelectric stations on the tributaries. This is less risky, and the government can invest what it can afford. The Changjiang valley has potential to deliver 200 million kilowatts of hydroelectric power; 4,400 hydroelectric power station can be built on the tributaries; they can generate 10.659 billion kilowatts of electricity. Although the total benefit is less than what the Three Gorges can offer, experience gained with the small and mid-sized hydroelectric stations can help resolve the Three Gorges Dam issue. But because the Ministry of Water Resources and Electric Power has not considered other alternatives, there is no way to make a comparison.

Different Interests, Different Directions

Amid the Three Gorges controversy, different interest groups have emerged. They affect the objectivity and fairness of the studies.

Regionally, Hubei supports the project, but Sichuan is not enthusiastic. Sichuan is partial to the "Development of the Upstream Program," because the Three Gorges project would benefit the midsection of the Changjiang most; however, if anything should go wrong, not only will Sichuan not see any benefits, she would be the first

to suffer the consequence. In particular, if because of silt deposits the water level should rise so far as to threaten towns downstream, Sichuan may have to be sacrificed. Even at the normal water level, the reservoir will inundate only 4 counties in Hubei but Sichuan will lose 13 counties, two cities, and a part of Chongqing's river bank. And if the Three Gorges Province is formed, Sichuan of course will have to "cede territory."

Other people also feel that if the government actually goes ahead with the formation of the "Three Gorges Province" because of the Three Gorges project, the Ministry of Water Resources and Electric Power will become another interest group, because the province's primary duty will be to lead the construction of the Three Gorges Dam, and the Ministry people will probably man all the leadership positions in the province. There is a "rule" when CPC cadres are transferred: if a mid- to high-level cadre has to be transferred "to serve the revolution," he will be promoted. When he gets to the Three Gorges, he will become "king of the mountain." This may be one of the reasons why leaders of the Water Resources and Electric Power Ministry have been so enthusiastic, even adamant, about the project.

When Qian Zhengying became vice minister of the Water Resources and Electric Power Ministry in 1952, she became the Ministry's "party leader" (Fu Zuoyi [0265 0155 5030] was minister but, being a party-outsider, naturally he had no real power.) When Qian Zhengying became minister, she ruled the Ministry. Although she is now retired, she is still the head of the leading group, and the Ministry remains under her control. Even Li Peng, a factory engineer turned vice minister of the Water Resources and Electric Power Ministry and later vice premier and eventually premier, may have Qian Zhengying to thank too. Li Peng alone has the final say on the Three Gorges project (he chairs both the Three Gorges Investigative Committee and the Coordinating Committee, and he is also the general manager of economic affairs.) Li Peng's background is in electric power; if he wants to "make the most of his expertise and hide his shortcomings," there is no better way to build up his public image by taking a gamble on this project.

Some people may think that it is unfair to speak of Li Peng and Qian Zhengying in this fashion, that this is "gauging a gentleman's heart with one's mean attitude." But then, how do we explain the suppression of dissenting opinions and the refusal to let some scholars speak at the CPPCC meetings? How come, at the conclusion of each study, the official news media would only report on the "ratifications" and ignore the dissensions? Why was there no report of the experts' refusal to sign the reports?

The studies have lasted 2 years and cost more than 100 million yuan, and the controversy continues. But no matter what, the fact that CPC authorities had not forced the Three Gorges project through in 1984 is a sign that the decision-making process has become more scientific and more democratic. But since so much has already

been spent on these studies, and with the welfare of the people for generations to come at stake, the government should be careful. While the outcome is still uncertain, it should not lightly risk everything on this venture. Considering China's situation, in particular, it is imperative that all interferences from the interest groups and the network of connections be removed.

Predicament Faced by Graduate Students

40050221a Hong Kong CHIUSHI NIENTAI [THE NINETIES] in Chinese No 228, Jan 89

[Article by Cheng Ying 2110 1305: "Chinese Graduate Students Want to be 'Flunked Out': the Graduate Students Want To Be 'Eliminated in the Process of Selection Through Careful Screening' in Order to Quit School to Become Businessmen to Reap Immediate 'Real Benefits'—Students Funded by the State to Study Abroad Are Returning and Vying for Jobs and Intimidating the Home-Grown Graduate Students—The State Has to Give the PhD's Special Favors Through the Back Door and Tries To Reform the Graduate Student Enrollment System in an Effort to Turn the Tide on Higher Education—Soaring Prices, Inflation, and Society's Eagerness for Quick Success and Instant Profit Have Lowered the Value of a Degree, Bringing with it Another Wave of 'the Futility of Education' Theory."]

[Text] When the state reinstated the masters and doctorate programs in 1979, most college seniors and many former students who had been working for many years came to view graduate school as the yellow brick road that leads to a better job or a chance to go abroad. Back then, the better college graduates would not be satisfied with a diploma or a paycheck. To them, to enroll in graduate school, to get a masters degree or a PhD, was the clear choice. The ingrained idea of "getting a good education and going on to become a government official" led most parents to give up the immediate economic benefits their children could bring if they went to work right after college; they willingly made one last "investment in intelligence" and let their children go to graduate school. As a result, in the early 1980's, there was a "degree craze."

An Abnormal Phenomenon

This academic degree craze continued for several years. It has cooled. An unexpected, strange phenomenon has taken its place.

Not long ago, the Graduate School of the China People's University held a mid-term screening exam to evaluate the students in the master's degree program to determine their scholastic achievement and degree qualification. Normally, failing to pass this exam means that the student has failed academically and he or she will be sent back to his or her former work unit or have little hope of getting a new job. Besides, two years' time and money is

a serious loss; everybody wants to do his best. But, to the surprise of the school, among the master's degree candidates of the class of '86, although only 2 or 3 students actually failed, more than 30 other students who passed have asked to be "flunked." They had all kinds of excuses. They voluntarily gave up the enviable master's degree which would soon be conferred upon them, and wanted only a two-year graduate school diploma, thereby lowering their own status. Of course, the 30 or so graduate students make up only 10 percent of the class of '86 master's program at People's University, but who would have thought that the elite of China's new generation of intellectuals, the often called "god's favored ones" in society, could make such a perverse request. This is indeed puzzling.

Last October, at the Graduate School Education Symposium held in Nanjing, many colleges and universities reported this same phenomenon. It also happened at Zhongshan University in Guangzhou: two graduate students deliberately failed the "comprehensive exam" and "dissertation" and were "legally" flunked out—they have been gloating about it.

Something even more ridiculous has happened at People's University: some graduate students of the class of '87 have asked to be "flunked" when they have not even been scheduled for their final exam that year. The class of '88, students who have just begun graduate school, have also made inquiries at the Graduate School about early dismissal so that they can get an early dismissal certificate.

Why?

The graduate student screening system was initiated in December of 1986. The "notice" sent down by the State Education Commission to the various colleges and universities says, "students with relatively poor academic records or who show obvious lack of scientific and research aptitude or should not continue in the graduate program for any other reason should end their studies and be assigned work instead."

The objective of graduate student screening is to perfect the graduate school system and reinforce the mechanism of competition in learning as a part of the reform of the education system. It produced negative effect as soon as it was introduced and has gradually lost its usefulness as a result. What attracted those graduate students who want to flunk themselves turned out to be the phrase "end your studies and be assigned work."

Why? The reasons are nothing more than the following:

One, it is brought on by the graduate school system itself.

Under China's present graduate school system, those with a master's degree can expect a "promotion" on the basis of their advanced degree two years after they are assigned a job. Those with teaching jobs at the institutes

of higher education can expect to start as lecturers and be promoted to the rank of assistant professor after two years, and those working in research institutes will become researchers. However, these days, the intellectuals are not paid very well, and a degree does not bring the higher pay it deserves. The wage difference between a lecturer and an assistant professor is minimal. Many think that it is hardly "worthwhile." For some graduate students, the most they gained was the satisfaction of having been assigned a post in a big city or at a university. Some have been sent back to their old posts to do the same work they did before, with no scope for their newly acquired abilities.

Two, reform has brought with it higher prices and inflation. There has been an obvious decrease in the perception of the value of the graduate students. In the past, the saying went, "get a good education and go on to become a government official"; today, students "get a good education and go on to become a businessman." The entire population's business craze assails even those in intellectual circles. The phrases "it is better to be a businessman than a teacher" and "it is better to get into business sooner than later" have long become the creed for many graduate students. From the degree craze before 1986 to the present rejection of education in favor of business and the giving up of college degrees—this abrupt change is the immediate reaction to the price momentum and the general mood of society in the past two years.

Most graduate students who are prepared to give up their education to run business will, perhaps because they have connections, explore the possibilities first before they actually give up their degrees. Some of them may choose to go south to Shenzhen or Hainan and get into business right away, striving to be the first to reap some real material benefits.

Competition From the Returned Students

According to sources close to the Graduate School of People's University, initial study of students who have asked to be dismissed shows that most of those who are anxious to give up their degrees have other plans. Basically, what they all want is either to go abroad or "grab" a good job as soon as possible and be the first to reap some "material benefits," and they are willing to give up their education for that. The reason is, what they are facing is stiff competition from a large number of returned students or soon to return students who have completed their education overseas.

Regulations stipulate that graduate students who have just received their masters degrees cannot go abroad immediately. They must work for two years before they can apply to go overseas for further studies. Since the foreign study policy can change anytime, many are not willing to wait two more years, and this can be one of the reasons they want to be dismissed sooner, to be "the first out of the gate."

Based on the State Education Commission's published figures, since 1978, China has sent more than 64,000 students, at state expense, to more than 76 nations and regions. This includes people engaging in advanced studies, graduate students, and visiting scholars. More than 40,000 of these students have gone to the United States. Among this group, more than 20,000 have returned to China under a Sino-U.S. foreign student agreement and have been assigned jobs. So far, more than 700 PhDs have returned to China. Despite the State Education Commission's propaganda (like "an absolute majority of these people have a strong sense of national pride and patriotism for the motherland..." and "they want to win honor for the motherland and have turned down high-paying jobs abroad," and so on,) the fact is, many have returned because of the many restrictions. The first thing these returned "gold diggers" have to go through is to be "assigned appropriate jobs" (commonly known as "lining up for a seat.") As yet, the state has not found a way to assign proper jobs to these returned students to give full play to their academic specialties. And inevitably the home-grown graduate students feel that the returned students are "treading on their territory." In the last 2 years, Chinese newspaper have already told many stories about unemployment among the returned students.

The Agonizing "PhD Phenomenon"

The so called "PhD phenomenon" in China's intellectual circles reflects, from a different angle, the tragic lot of the very well educated in Chinese society, and this in turn is why some people are willing to give up their degrees and have asked to be flunked out of the master's program.

Every deed revolves around money. Everything is for the sake of "profit." Society no longer makes the proper choices in hiring people. A study done by GUANGMING RIBAO indicates that as far as the hiring units are concerned, polytechnic school and college graduates are the most sought-after recruits. Graduate students with masters degrees are known as "difficult households," and PhDs looking for jobs have a "long-term, serious problem." The hiring units have a love-hate relationship with the "foreign PhDs." As the saying goes, "using a cannon to kill a mosquito"—the PhDs' talents are wasted on petty jobs. We can cite an actual example: a PhD in his 40's used to be a lecturer at a university, but after he received his degree, he could not find a job. Finally, he petitioned the State Education Commission which somehow arranged with the hiring unit and managed to get an assistant professorship for him, and only then could he find "a home" in a university. The reason is simply, other people who have been waiting for years for a promotion reject him, because he takes away one of the limited number of assistant professorships.

A woman with a PhD in Biology was given a choice when she was assigned to a unit: either change her line of work, or receive a regular college graduate's pay. The reason is simply that she has been assigned a job even a high

school grad can do. No wonder she sighed, "nowadays, everything has gone up except the worth of knowledge." Society as a whole is geared up to go after quick success and instant profit. This is the tragedy of China's higher education. It seems knowledge and skill are welcome only if they can bring instant wealth. This is the so called "PhD phenomenon."

A friend of mine who is teaching in one of China's universities hit the nail in the head when he made the following comments: people with PhD degrees usually have worked for a few years; they are probably in their 40's; most of them have practical needs such as housing; they have wives that need to be transferred and children who have to go to school, and so on, and the hiring units must deal with a heap of problems even before they can put these people to work, and understandably, they "flinch at the sight of a PhD" Of the 71 graduate students in the PhD program at Zhongshan University, 60 percent are married and with children, and 3 have been forced to withdraw for financial reasons.

Can the "Special Policy" Attract the Students?

The trend of graduate students abandoning their masters and PhD programs to go into business is nothing new. Last September, interviewed by CHIUSHI NIANTAI, renowned Chinese astrophysicist Fang Lizhi [2455 0536 0037] disclosed that graduate students at many of the institutes of higher education in Beijing had long been dropping out of school either for financial reasons or because they wanted to go abroad. This is the result of another wave of society's "futility of education" theory. The declining enrollment at the elementary schools in the rural areas, the high dropout rate in the high schools, the lack of interest in college enrollment, and the phenomenon of graduate students asking to be dismissed from school are caused by this shock wave. This shock wave is slowly cresting. Ironically, the state has just adopted a new "special policy" to attract the elites—PhD students.

In a letter from a student who has just gone to Australia for further studies, at his own expense, he explained that trial implementation of this "special policy," the so called "post-doctoral mobile station," actually had begun several years ago. The goal is to attract the foreign-educated PhDs.

This plan is quite attractive. The state has stipulated that each post-doctorate will be paid as much as 15,000 yuan in research funds and living subsidies (25 percent of which are for living expenses, including 100 yuan a month for rent and subsidies.) Spouse and children may accompany the mobile station and the hiring units at the receiving end will arrange for their jobs and schools. To make housing available to these post-docs, the State Planning Commission has appropriated 10 million yuan to build "post-doctoral apartments." The Commission has also appropriated funds in foreign exchange to support their participation in international conferences

and academic exchange overseas. According to the State Education Commission, so far, more than a hundred post-doctoral candidates have received this kind of financial support, and the program has been a success.

Post-doctoral research no doubt is the most advanced form of personnel training. It is an essential part of a country's intellectual investment and advanced scientific research. But post-doctorates who top the talent pyramid are still a rarity in China. There are only about 300 returned post-doctorates in the whole of China. The country as a whole lacks educational funds, but the state is paying an exorbitant price to attract post-doctorates while it faces an acute shortage of educational funds, and meanwhile many returned graduate students cannot even find jobs. No matter how one looks at it, the state seems to have its priorities mixed up.

New Trick in Recruiting Graduate Students

Recruitment for the 1989 master's degree program has begun. The application deadline was 5 December 1988. I have received some disappointing news: there have been fewer applicants than openings (information not verified)—a first since the master's program has been reinstated in 1979. The entrance exam will be held in February, and after eliminating those who do not qualify, who knows how many graduate students will actually enroll. For this reason, the state has decided to revamp the recruitment method for the master's program this year.

Last November, a State Education Commission official told the news media that as many students had applied

for graduate school in 1989 as in 1988, that is, around 30,000, and to prevent further decline in the number of applicants, the state has adopted two new methods: "orientation development" and "entrusted development." One half of the candidates will be recruited under these two methods. They stipulate that the candidates must either be recommended by the hiring unit or are presently employed. The students do not sever ties with their units and will continue to be paid the same wages and benefits while they are in school. Furthermore, college graduates must work for 2 to 3 years before they are eligible for graduate school.

The reform in essence hands one half of the graduate students an "iron rice-bowl" after graduation. It is a "guarantee" system in disguise to prevent further incidents of students asking to be "flunked," and it also guarantees a supply of applicants. As for the other half of the candidates, the state will continue to recruit graduate students whose career it will guide.

China urgently needs reform, and reform urgently needs knowledge. It has been said that "a century's plans rest on education," and "the key to a nation's soaring economy lies in the improvement of the cultural standard of the entire population." Nobody has ever doubted these simple truths. But the "god's favored ones," today's graduate students with PhD and masters degrees, are being cold-shouldered by society; they are facing unemployment. Because of society's perverse values, the best educated, the cream of the crop, now have reason to worry about their future. Faced with the shock wave of "the futility of education" theory, does China's education department have any brilliant ideas?

NATIONAL AFFAIRS, POLICY

Ministry Investigates Misappropriation of Foreign Exchange

HK1101044189 Beijing RENMIN RIBAO in Chinese
7 Jan 89 p 4

[Dispatch by reporter Shu Yu 5289 3842: "Supervision Ministry Investigates Case on Misappropriation of Foreign Exchange To Buy Imported Cars"]

[Text] Beijing, 6 Jan (RENMIN RIBAO)—The Ministry of Supervision recently investigated a case of violating discipline committed by the Storage and Transportation Bureau under the Ministry of Commerce and China National Machinery Import and Export Corporation. The above-mentioned two units have violated the state regulations on import examination and approval. They have made unauthorized changes in the rules for the import of trucks and misappropriated foreign exchange to import 117 disintegrated tool trucks for vehicle repair and other spare parts of motor vehicles. The responsible persons involved have been punished by administrative disciplinary measures.

In early June 1986, the Storage and Transportation Bureau of the Ministry of Commerce submitted an order card and cargo certificate for importing three types of truck fittings from Japan to the former State Administration of Supplies for examination and approval. It was then approved that the bureau could use \$400,000 in this order. In the spring of 1987, the bureau held two meetings to study matters concerning the import of the used and disintegrated tool trucks. A responsible person from the vehicle management section proposed that as there was some surplus in the foreign exchange allocated by the state in advance, it could be used to import the used and disintegrated tool trucks. In April 1987, the Storage and Transportation Bureau made an unauthorized change in the cargo certificate and decided to import 126 used and disintegrated tool trucks and the two-row driving cabins and spare parts of 50 small trucks for rural use. They also sent an official letter to China National Machinery Import and Export Corporation, informing the latter that the surplus of \$300,000 would be used for this purchase. On 24 May, the Storage and Transportation Bureau and China National Machinery Import and Export Corporation sent a joint group to Japan, which signed four contracts with a Japanese firm on this import without authorization. Later, as it was investigated by customs, they returned 9 tool trucks to Japan. Thus, they actually imported 117 used and disintegrated tool trucks disregarding discipline.

The spare parts of motor vehicles imported by the Ministry of Commerce with foreign exchange are imported commodities under state planning. According to state regulations, foreign exchange control should be carried out strictly on these commodities. After the quota for the import of planned commodities is fulfilled, all the surplus foreign exchange should be turned over to

the state automatically, and under no circumstances should they be misappropriated. However, due to the misappropriation by the Storage and Transportation Bureau and China National Machinery Import and Export Corporation, the foreign exchange used in this import reached \$652,100, or 63 percent higher than the approved sum.

A responsible person of a relevant department pointed out that the phenomenon of not strictly enforcing orders and prohibitions is one of the main cases of violating discipline at present. The unauthorized import of used and disintegrated tool trucks by the Storage and Transportation Bureau and China National Machinery Import and Export Corporation is an example of this. It is necessary to handle such cases quickly and severely. Thus, the Ministry of Supervision, the Ministry of Commerce, and the Ministry of Foreign Economic Relations and Trade decided to give two deputy directors of the Storage and Transportation Bureau of the Ministry of Commerce disciplinary punishment of recording a demerit and a disciplinary warning respectively. Other disciplinary actions have also been taken against other responsible personnel.

Causes of Mistakes in Economic Reform Analyzed 40060212 Beijing JINGJIXUE ZHOUBAO in Chinese 27 Nov 88 p 4

[Article by He Xin 0149 2450: "An Examination of the Causes of the Mistakes That Have Been Committed in Recent Economic Reform from the Perspective of the Problem of Worsening Inflation"']

[Excerpt] [Passage omitted] Aggregate social demand consists of three components: demand generated by investment, demand generated through consumption, and demand created through government fiscal policy. At an analytical level, investment demand is distinct from consumption demand, but in the real economy the distinction is not so sharp. On balance, China's experience has been that approximately 40 percent of all investment funds tend to be transformed, mostly in terms of wages, bonuses and the like, into consumption funds.

Conditions in investment demand and consumption demand may be ascertained from the figures for gross social fixed-asset investment and gross social retail sales volume.

Analysis of economic data for recent years shows that the rise in gross social fixed-asset investment was concentrated in the period prior to 1986, during the Sixth 5-Year Plan. With the exception of 1981, when fixed-asset investment declined (due to the economic readjustments made that year), the other 4 years showed an average growth rate of 23.6 percent, greatly exceeding the average annual growth rate of the national income during the same period. Growth rates have declined since 1986, but because large-scale investments made in

the past were used as the base figure, the decline in growth rates by no means implies a decline in the total growth of investment. For in both 1986 and 1987 investment increased by about 50 billion yuan.

During the Sixth 5-Year Plan, gross social retail sales volume climbed at an average annual rate of 13.5 percent and in 1985 ballooned to 27.5 percent due to the overheating of the economy and the stimulus to consumption caused by the import of large quantities of household electrical appliances. After slipping for a while after 1986, growth resumed its upward climb, so that the growth rate for the first half of 1988 approximated that of 1985. In absolute terms, growth was 50 billion yuan in 1984, a massive 100 billion yuan in 1985, 65 billion yuan in 1986, and nearly 90 billion yuan in 1987. It is estimated that growth will exceed 100 billion yuan in 1988.

In 1985, gross social retail sales volume greatly exceeded gross social fixed-asset investment, and the gap widened more rapidly after 1987. This indicates that, of the

growth of aggregate social demand in recent years, social consumption demand increased much more than productive investment.

Of the growth in consumption demand, consumption by social groups expanded especially rapidly. According to statistics, social group consumption rose at an average annual clip of 17.8 percent from 1981 to 1986 and by 21.8 percent in the years 1983-1986. Expansion in social group consumption inevitably reduces the state's revenues while increasing its outlays. From 1981 to 1985, revenues increased by an average of only 11.3 percent a year, but outlays for economic development rose by an average annual rate of 10.4 percent, social, cultural, and education expenditures increased by 14.8 percent, and administrative expenditures rose by 20.8 percent. The annual rate of increase in consumption-type budgetary outlays vastly outstripped that of revenues, putting a squeeze on the budgets year after year, creating deficits, and forcing financial departments to make overdrafts from banks.

To illustrate the problem better, we can compare the recent-year increases in social consumption and in output in the following table.

A Comparison of the Growths of Social Consumption and of Output (Previous Year = 100)

Year	Gross Social Retail Sales Volume	Surplus Social Purchasing Power	Gross Value of Industrial and Agricultural Output	Gross Social Output Value
1983	10.9		10.2	11.6
1984	18.5	92.7	15.0	16.9
1985	27.5	5.4	16.0	25.9
1986	15.0	42.73	9.7	14.9
1987	17.6	22.38	15.1	19.6

This table shows that in recent years the annual growth rates in gross social retail sales volume and in surplus social purchasing power have greatly exceeded those of gross industrial and agricultural output value and of gross social output value.

We know that in the case of China surplus in social purchasing power comes primarily from two sources: the savings of individuals residing in urban and rural areas, and the savings held by enterprises. The growth of the former reflects a loss of control over the distribution of wages and bonuses and the fact that the rise in wage incomes has exceeded economic growth. The latter reflects the fact that the state and enterprises have shifted large amounts of nominal investments into consumption-type demand, and are doing so at a steadily growing pace.

Of course, surplus social purchasing power is not necessarily immediately transformed into demand for commodities; much of it tends to settle in urban and rural residents' savings accounts. (Recent monetary statistics show that over the past several years urban and rural saving deposits have been growing at an average rate of

30-40 percent each quarter.) But as far as the marketplace is concerned, savings can immediately be transformed into purchasing power and, in other words, serve as potential pressure for expansion of aggregate social demand.

The growth rate of aggregate demand has so outstripped that of aggregate supply that signs that inflation was getting out of hand emerged as early as the second quarter of 1987. Failure to understand the severity of the problem and the inappropriateness of certain policies ultimately led to panic buying and bank runs during July through September this year.

As for the present, the state and local governments still retain some control over prices, so the real level of inflation has not fully been revealed. But once conditions restricting markets undergo any change, inflation immediately will take a serious turn, with consequences impossible to predict, even if aggregate social demand no longer increases and even in the absence of stimulus generated by new policies. It is important to note that consumption funds grew even more rapidly during the first half of this year than they did last year. Wage outlays by banks alone rose by 23.7 percent over last

year, and peasants' per capita cash incomes climbed by one-fourth. This inevitably will exacerbate the gap between aggregate social demand and aggregate supply, and the demand pressure concentrated on industrial and agricultural consumer goods will be even greater.

(Besides domestic factors, China's foreign trade also affects the balance between domestic supply and demand. More on this at some other time.)

I believe that there are at least four serious latent threats to China's economy.

First, resource constraints (including transport), will make it difficult for industrial production to increase greatly within a short period of time. Productive investment faces cuts as part of the current effort to limit aggregate demand. This will reduce industrial growth even further, make it difficult to increase supply of industrial goods and may shift the tremendous pressure exerted by aggregate demand to agricultural products. So long as the overall economy fails to soak up accumulated and additional aggregate social demand, inflation is certain to rise even further.

Second, as a peculiar form of money redistribution, inflation is causing income differentials to widen in the society. Statistics show that in 1986, 20 percent of all urban residents experienced declines in their real incomes. In 1988, the problem has become even worse: Residents in 13 cities and towns throughout the 29 provinces, autonomous regions, and municipalities of the nation saw their real incomes decline during the first 5 months of the year; the highest number of people reporting declines was in Guangdong, where 7 percent of the total population so reported. It is incredible that urban residents' real incomes would decline in Guangdong, which has the highest growth rate in industrial output in the country. Clearly, rapid economic growth has failed to counteract the impact of inflation. This is a typical example showing that, in regions experiencing rapid economic growth, the uneven social distribution structure polarizes the rich and the poor.

Third, as retrenchment is carried out, a number of development projects are being terminated, and administrative control over allocation of energy, raw materials and transport is being strengthened once again, which will make it difficult for local or rural enterprises to obtain sufficient raw materials and thus may cause them financial hardship or even drive them out of business. This kind of recession will also cause employment in urban and rural areas to shrink significantly, and massive unemployment will pose a threat to social stability.

Fourth, even though countermeasures have been adopted, they have not noticeably reduced accumulated aggregate social demand. (In July of this year, wages and other personal expenditures nationally leaped to 29.8

percent from the 23.7 percent registered during the first half of the year.) So latent inflationary pressure remains very serious. Even if monetary and wage policies were to be changed immediately, given the way the economy generally operates, it would take at least 12 months for these changes to exert their contractual effect. Even then, there will still be more than 500 billion yuan in surplus social purchasing power lying in people's savings accounts, which will have to be absorbed or frozen.

These grim conditions cannot but cast a long dark shadow over the prospects for China's development in the next decade.

It is apparent that, if current economic readjustment and tightening policies are effectively carried out, inflation will continue to worsen for 1 to 2 years, which means that readjustment will have to be extended another 2 to 3 years before we can cool off the economy and reduce demand pressure. However, if the readjustment policies do not work, China's economy will face great difficulty during the early 1990s.

Another factor we must consider here is the fact that 1992-1995 will be the peak of China's foreign debt repayment period, when we will have to pay an estimated \$12-plus billion a year in principal and interest payments. At the current adjustment foreign exchange rate, this amount translates to nearly 80 billion yuan, or equal to one-third of current state revenues or to nearly 20 percent of current GNP. This cannot but place a serious burden on China's economic development.

Overlap of the readjustment period and the peak debt repayment period, should it occur, will cause the economy to contract even more violently. And even if readjustment can be completed by 1991-1992, the immediate follow-on of the peak in debt repayment will, in effect, mean that economic contraction will have lasted from the last 1-2 years of the 1980s to 1994-1995, which will make this economic slump the longest since 1949.

Footnote

1. The term "aggregate demand" employed is the sum of resident consumption, social group consumption, investment funds (net fixed-capital asset + additions to working capital), and exports and capital outflows. "Aggregate demand" is equal to national income + imports and capital inflows - self-supplied consumption by peasants. (For the statistics cited in this article, please see "Zhongguo Tongji Nianjian" [China Statistical Yearbook] and "Zhongguo Tongji Zhaiyao" [China Statistical Abstract].)

PROVINCIAL

Positive Results Seen From Guangzhou's Restructuring of Economic System

40060258a Guangzhou GUANGZHOU RIBAO
in Chinese 4 Jan 89 p 1

[Article by correspondent Zong Hechu 1350 0678 2806 and reporter Ceng Deming 2582 1795 2494: "Thorough Reform Invigorates Enterprises; Stronger Guidance Improves Macroeconomic Control; Guangzhou Makes Progress With the Restructuring of the Economic System—Reform of the Financial, Market, Foreign Trade, and Other Systems Have Obtained Results"]

[Text] This reporter has learned from the authorities that last year, despite new problems in the restructuring of the economic system, Guangzhou managed to break new ground in its effort to enliven enterprises, invigorate the financial system, the market economy, and foreign trade, and enhance control at the macroeconomic level.

Last year, the focus of Guangzhou's thorough reform was on perfecting and developing the contract management responsibility system. To date, 98.7 percent of the city-run, city-budgeted industry and communications and urban construction enterprises in the ownership by the whole people system have adopted the contract system; 97.29 percent of those enterprises are large and mid-sized enterprises. In addition, 96.2 percent of the large and mid-sized state-run commercial enterprises have also adopted the contract system, and basically all the small commercial enterprises have implemented either the contract system or the leasing system. Most of these enterprises have improved their economic performance after they adopted the contract system, resulting in higher state tax revenues. For example, during the first 11 months, the realized profit tax generated by the city-budgeted industrial enterprises has increased 13.12 percent over last year's for the same period.

In order to enliven enterprises, last March, the pertinent departments launched a city-wide enterprise invigoration examination. In the process, not only was the city government able to help enterprises solve many problems, it also promoted the thorough reform of enterprises. Specifically, one, the contracting enterprises have actively brought in the competitive mechanism. So far, 33 enterprises have invited public bids as the way to select contractors, and 59 enterprises have set up an internal bidding system to let the workshops (branch plants) bid against one another for jobs. Two, the enterprise distribution system has undergone gradual reform. By last October, of the 325 city-run, city-budgeted enterprises in the ownership by the whole people system, 314 have begun to link their wage bills to their economic performance. Many enterprises have also adopted the job-based wage system, variable wage system, contracted wage system, or piece-rate wage system—these are important improvements over the "iron-clad wage" system. Three, there has been reform in the labor utilization

system, and a comprehensive pension plan has been implemented. Guangzhou's 91 industrial enterprises with a total of more than 100,000 staff and workers are taking part in a pilot project to improve the labor composition. At present, more than 80,000 of Guangzhou's workers have adopted the contract system. Because some enterprises have adopted improved labor composition or other such methods, the "iron rice bowl" system too is being phased out. Accompanying the labor utilization reform, city-wide, 500,000 people have joined the comprehensive pension plan.

Developing financial markets and promoting the operation of specialized banks as enterprises are an important part of the reform of Guangzhou's financial system. With the support from financial circles, Guangzhou's development of the financial and securities markets as well as the foreign exchange regulation market last year has met with success. The Guangzhou Short-Term Financing Company and Guangzhou Securities Company have opened; they provide more funds for Guangzhou's economic construction. While vigorously promoting the management of specialized banks as enterprises, Guangzhou has also developed many different kinds of financial institution.

Guangzhou has been successful in implementing the economic mechanism which lets "the state regulates the market and the market guides enterprise" and has fostered the market system. At present, Guangzhou has 41 industrial products markets, 8 more than last year, and there are 227 agricultural and sideline products markets, 6 more than last year. The capital goods market is growing, and the labor market is active. A system consisting of three levels: state-run, civilian-run, and free trade, is beginning to emerge. The real estate market is growing rapidly; so far, 3.59 million square meters of commercial buildings have been sold. In order to promote product circulation and market development, a few selected units have been chosen to open some brokerage firms on a trial basis, and they will act as intermediaries to promote the development of the commodity economy.

There have been breakthroughs in the reform of the foreign trade system too. City-wide, foreign trade enterprises, integrated industrial-commercial enterprises, and privately-run import and export enterprises have all adopted the contract responsibility system, and they have been actively exploring the possibility of setting up enterprises abroad, trying to broaden the international market. In the foreign trade sector, based on the overall needs of the city's economy, more efforts have been spent on guiding the direction of foreign investments and improving the investment composition. In order to improve the foreign investment climate, Guangzhou has simplified procedure, and as a result, projects which utilize foreign funds are now examined and approved by the Foreign Economic Committee, foreign-funded construction projects are examined and approved by the Constructions Committee, and all services pertaining to

foreign economic affairs are provided by the Foreign Investment Management Service Center. To a great extent, this has simplified the examination and approval procedure and increased efficiency.

In addition, last year, Guangzhou also made improvements in areas pertaining to science and technology, personnel, education, culture, public health, physical education, urban construction, and the rural communities, and the comprehensive structural reform of the Yuesiu District has been fairly successful too.

FOREIGN TRADE, INVESTMENT

Textile Agreement With EC

40060252c Beijing GUOJI SHANGBAO in Chinese
5 Jan 89 p 1

[Article: "Li Guodong, Deputy Director of the Foreign Trade Administration Department of MOFERT, Discusses the New Sino-EC Textile Agreement"]

[Text] China recently reached a new bilateral textile trade agreement with the EC. Reporters interviewed Li Guodong [2621 0948 2767], deputy director of the Foreign Trade Administration Department of the Ministry of Foreign Economic Relations and Trade [MOFERT], and asked about the contents and implementation of this agreement.

Deputy Director Li answered as follows: The new Sino-EC bilateral textile agreement was reached on 9 December 1988 in Brussels after three rounds of tough negotiations. It will be valid for 4 years, from 1 January 1989 to 31 December 1992. Its provisions basically preserve the framework of the existing agreement and retain cooperation with the EC textile industry.

When reporters asked what changes were in the new agreement, Deputy Director Li answered as follows: Compared to the restrictions of the existing agreement, the EC has increased two quotas, i.e., some member countries have reduced their quotas from 58 to 41 on class-10 knitted gloves and class-22 chemical fiber yarn. The reduced quotas are mainly as follows: on class-15 B women's coats exported by Italy and Ireland; on French, British, and Italian class-17 men's jackets; on Dutch, Belgian, and Luxembourg class-28 knitted Western-style pants; on French class-69 knitted petticoats and class-110 air mattresses; on British class-75 knitted men's suits. In addition, class-30 A women's shuttle-woven pajamas exported by France and Italy have been combined with class-18 men's pajamas; French and British class-80 shuttle-woven baby clothes and French class-71 knitted baby coats have been combined with class-68 knitted and shuttle-woven baby underwear and coats; British class-82 knitted underwear has been combined with class-4. The increased restrictions are as follows: on class-16 and class-29 men's and women's shuttle-woven

suits exported by Italy; on Irish class-33 plastic woven bags; on French class-67 knitted clothing fittings and knitted plastic woven bags. The quotas in the new agreement have generally increased to a certain extent. Annual growth rates and certain other contents of the agreement have improved to a certain extent.

Deputy Director Li also called the attention of all of China's textile export enterprises to the following: As of 1 January 1989, the European EC has carried out toward China a coordinated classification system (HS) that has caused certain products to be reclassified and quotas also to be changed correspondingly. When exporting to the European EC, all textile export enterprises should pay attention to the reclassifications in order to ensure the smooth operation of their business. MOFERT will formulate a distribution plan as soon as possible for compensation quotas for the new agreement's increased quotas and coordinated classification system changes.

Deputy Director Li concluded by saying that the EC had expressed concern about China's quota control and the quantity and quality of certain textile raw materials supplied to it. He passed on importers' reports on certain existing problems in areas, such as quality and delivery, of China's textile exports. He emphasized that since importing countries are imposing quantity restrictions, the key to increasing exports will be to improve the quality, grade, and service of export merchandise. He said that China has considerable potential in this area but must make a maximum and conscientious effort to tap it.

Vice Minister on Developing Export Trade

40060252b Beijing GUOJI SHANGBAO
in Chinese 12 Jan 89 p 1

[Article by Li Lanqing 2621 1526 3237, vice minister of Ministry of Foreign Economic Relations and Trade: "Observe the Principles of 'Quality First, Reasonable Prices, Prompt Delivery, Good Service, and a Good Reputation' To Actively Develop China's Export Trade"]

[Text] Today's international market is very competitive. All export commodity production and foreign trade enterprises that want to compete for a piece of this market and develop must observe the basic principles of "quality first, reasonable prices, prompt delivery, good service, and a good reputation." These principles are easy to understand, but seemingly must be reaffirmed in today's China where foreign trade is growing rapidly and much new export production and many new foreign trade personnel are becoming oriented toward the international market every year.

1. Quality First

All those who have famous brand products on the international market share the common characteristic of "constantly improving quality and being scrupulous about every detail." In other words, it is hard to find fault with famous brand products no matter how hard

one tries. For instance, not only is all famous brand clothing stitched, tailored, and pressed very carefully and neatly, but not even one thread can be missing. Once when visiting a famous brand athletic shoe production plant, I saw a worker reject a rubber shoe sole that had a little piece of dirt stuck to it. When we asked the accompanying plant manager why, he replied that "This piece of dirt might make the shoe sole come unglued. Even one sole coming unglued after our shoes are bought by customers might ruin our reputation." This spirit toward product quality of "constantly improving quality and being scrupulous about every detail" made a deep impression on us and combined a strong sense of competition with a strong sense of job responsibility. In dealing with export products, it is not enough to emphasize quality in a general economic and technical sense, but the quality of export merchandise should be emphasized first from the high plane of a national spirit and sense of responsibility. We should not be satisfied with "just doing a generally passable job" in either our commodity research and design or production processes, in our treatment of either the intrinsic quality or the outward appearance of commodities, or in emphasizing the quality of either the commodity itself or its packaging. "Constantly improving quality and being scrupulous about every detail" is even more important, and "MADE IN CHINA" on the trademark should definitely mean high quality and completely reliable merchandise. We must also pay attention to not lumping medium- and low-grade merchandise together with inferior merchandise. The quality of even medium- and low-grade merchandise must still be guaranteed according to design quality criteria and consumer demand, the spirit of "constantly improving quality and being scrupulous about every detail" must still be observed, the principle of "making delicacies out of coarse food grain" must be followed, and we cannot afford to be careless. Only in this way can we break into the international market and be able to grow. The time is long gone when the policies of selling cheap, low-quality merchandise or trying to substitute quantity for quality could be relied on to succeed on the international market.

2. Reasonable Prices

China has cheap and plentiful resources of mental and physical labor and a generally competitive advantage in export commodity prices, but we must use this competitive advantage rationally. We must avoid both the misunderstanding of international market conditions and the fantasy that "everything has a price" and we should quickly "make a lot of money" whenever we have the chance, and also the improper method of deliberately forcing prices down to dump goods. We recommend reasonable competition, especially in the area of quality and trust, but disapprove of undercutting each other for competitive marketing without regard for cost. Improper cutting of prices for competitive marketing is not only unfavorable for us, but also makes legitimate importers and agents feel insecure. If one person buys something today for \$1, another sells it tomorrow for \$0.80, and

someone else sells it the day after for another price, people will lose money and be afraid to do business with us. Losing contact with international market conditions and deliberately forcing prices up or down is not our policy. Instead, we should set prices reasonably and stay competitive.

3. Prompt Delivery

All of our export products are either sold directly to their final consumers or sent as raw materials or semifinished products for reprocessing. Prompt delivery is of extreme importance in either case. The seasonal issue comes first and prompt delivery is of major significance for export products that are sold directly to their final consumers. For instance, no one will buy Christmas presents after Christmas is over and winter clothing must be "sold at greatly reduced prices" once the season is past. In summary, merchandise is worthless and even unmarketable if it is not seasonal. Prompt delivery of the tools of production to their final consumers affects production even more. Prompt delivery of raw materials and semifinished products for reprocessing is even more important because work must stop if they are not delivered promptly. This causes losses not only because the work stops, but also because those who ordered the goods must be compensated since the goods could not be delivered due to the work stoppage, and even affects a whole series of things. Thus, prompt delivery has always been an important factor in foreign trade competition. If prompt delivery is guaranteed, people are sometimes willing to accept a slightly higher price but, if it is not, they will not care to ask the price even if it is low. Of course, guaranteeing prompt delivery requires both hard work by export production and foreign trade enterprises and also vigorous support from the communications and transportation sectors.

4. Good Service

Good service is also an important factor in international trade competition, and "post-sales service" is especially important. It is very hard to break into markets for certain durable consumer goods, machinery, and cars without a network of maintenance and parts supply and even harder without the use of training and guidance services. Even if they are broken into without these services, it is often only for "one-time business" and eventually one is out of the market. Thus, in order to put these goods on the market, capital must first be used for solid work in this field to pave the way for promoting sales. Methods, such as cooperation with or independent financing by foreign businessmen, must be used to gradually set up post-sales service networks in important markets and sometimes, these maintenance and parts supply networks can also be combined with assembly plants in foreign markets. For instance, a farm machinery assembly plant in a certain market can also be responsible for maintenance and parts supply. A post-sales service network will allow us to develop stable markets in this field.

5. A Good Reputation

All of the above key factors in export trade competition can finally be summed up in the most important one of reputation. In other words, "reputation" is the lifeblood and a valuable resource of export production and foreign trade enterprises. Quality first, reasonable prices, prompt delivery, and good service are all matters of reputation, which is focused on and expressed in "taking contracts seriously and keeping promises." Caution must be used when signing contracts, and enterprises have no right to promise to undertake things that are not allowed by China's laws and relevant government regulations and must not carelessly promise to undertake things that they are unable to do. The most fundamental business ethic is that the things that are promised in contracts must be done. We do not approve of signing "open-ended contracts" that can either be carried out or not. They may seem to be "flexible" but are actually, in the final analysis, unfavorable to both parties to the agreements. Signed contracts should be fulfilled strictly, there must be no arbitrary, unilateral alteration of contract provisions on any pretext or for any reason, and promises must absolutely not be broken. All of China's export production and foreign trade enterprises must strictly observe contract discipline. This is not only a matter of enterprise reputation, but also affects China's reputation and the basic issue of whether our export trade can develop soundly. When the conditions are ripe, we will research and set up a graded reputation system for export production and foreign trade enterprises, urge foreign businessmen to do business with enterprises that have good reputations, and gradually eliminate the foreign trade management rights of enterprises that persistently refuse to keep their promises.

We expect all of our export production and foreign trade enterprises to conscientiously publicize and teach all of their staff members and workers the principles of "quality first, reasonable prices, prompt delivery, good service, and a good reputation" so that they strike root in their hearts. These principles must be strictly observed in deed, enabling our export production and foreign trade enterprises to become a "model" for "taking contracts seriously and keeping promises" and to use this "model" to join the ranks of international market competition and constantly expand and develop China's export trade.

Zheng Tuobin on Foreign Trade in 1989
40060252a Beijing GUOJI SHANGBAO in Chinese
5 Jan 89 p 1

[Article: "Zheng Tuobin 6774 2148 1755, MOFERT Minister Plans 1989's Work; Functions Must Be Further Changed and Foreign Economic Relations and Trade Developments Must Be Speeded Up"]

[Text] When planning the Ministry of Foreign Economic Relations and Trade [MOFERT] work on New Year's Eve, Zheng Tuobin, minister of MOFERT, pointed out

that when carrying out the "three fixed quotas" plan in MOFERT departments that was approved by the State Council, first priority must be given to changing functions and a positive approach must be used to speed up all foreign economic relations and trade developments.

Zheng Tuobin said that the "three fixed quotas plan" will reorganize the former 23 bureau-level departments into 20 departments (not including the Auditing Bureau, the Supervisory Bureau, the Veteran Cadre Bureau, the Central Discipline Inspection Commission's MOFERT Discipline Inspection Group, and the CPC Committee). It will basically retain 18 former organizational departments, set up 2 new ones, and eliminate 3 bureaus. The departments to be set up and eliminated are as follows: The Policy Research Department will be eliminated and the Policy System Department will be set up; the General Service Department will be eliminated and the Administrative Department will be set up; the Education Bureau will be eliminated and its functions transferred to the Personnel Education Labor Department; the Transportation Bureau will be eliminated and its major functions transferred to the Import/Export Department; the Export Commodity Production Base Management Bureau will be eliminated and its functions divided between the Comprehensive Planning Department and the Financial Accounting Department. MOFERT's staff will be cut 22 percent from 1,352 to 1,055.

He said that 30 special staff offices with an administrative staff of 400 will be set up in the major ports and important cities throughout China. In addition, directly subordinate party and discipline inspection committees will be set up in line with the regulations for party work and discipline inspection work committees in state organs. Based on unified national regulations, the Veteran Cadre Bureau will be changed to an administrative subsidiary body and listed with the administrative subsidiary staff, and the size of its staff will be based on a fixed percentage of retired cadres.

Zheng Tuobin pointed out that the changes and personnel cuts in this organizational reform will be very great and that all of MOFERT's comrades must cultivate a new mentality, boldly sacrifice partial and local interests, and take the situation as a whole into consideration. The problem of understaffing must be solved by changing functions, improving work methods, and changing work styles.

He said that this organizational reform will not consist of ordinary eliminations and mergers, but will be a functional change in line with the principle of separating government administration from enterprise management. It will do away with the functions of direct administrative management of enterprises and direct control of their funds and property, strengthen functions, such as policymaking, advisory, regulatory, supervisory, and information, and allow the government to gradually change from mostly direct to mostly indirect management of enterprises.

Zheng Tuobin pointed out that according to overall plans for reform of government offices, the general aims of organizational reform in the next 5 years will be to rationalize relations, change functions, improve organs, cut personnel, raise administrative efficiency, get rid of bureaucracy, and strengthen organizational vitality. This organizational reform is only the first step and will pave the way for realizing the aims of the 5-year organizational reform.

He said that all of MOFERT's former "bureaus" will be called "departments" as of 1 January 1989. It is hoped that this will not be simply a change of name. More importantly, it must help us learn how to improve and strengthen our management work in line with the general demands of the functional changes, improve our management efficiency and results, improve our administrative and work efficiency and economic results, and vigorously coordinate and regulate our foreign economic relations and trade activities. It must speed up and ensure the functional changes in order to keep government free from corruption. The ideological resistance to functional changes comes not only from a lack of understanding, but is also closely related to certain people's greed for power and sometimes, the more micromanagement is used, the more the role of power is manifested. Training in honest government must be strengthened and using public authority for private gain must be absolutely stopped. Moreover, all official work systems must be established and perfected. Job classification, standardization, and responsibility systems focused on personnel must be set up; sound and realistic rules, regulations, and working procedures focused on work must be set up to enable all work to be regularized and standardized as much as possible, strengthen legal concepts, eliminate subjective self-assertiveness, make things clearer, and facilitate supervision.

When discussing 1989's foreign economic relations and trade work, Zheng Tuobin said that the effectiveness of organizational reform will reflect on all of our professional work and that a positive approach must be taken to speed up all foreign economic relations and trade development.

He continued as follows: The most important tasks in 1989 will be to firmly carry out the policy of controlling the economic climate and reorganizing the economic order, control and reorganize the foreign trade climate and order, and actively develop exports. Controlling and reorganizing the economic climate and order absolutely does not mean marking time and even less implies carrying out no more reforms. Reorganization and reform are not contradictory but promote each other. We must conscientiously figure out which things are unsuited to present conditions and make suggestions on how to reorganize them as soon as possible.

An active policy must be adopted to strive for continued and steady growth of export trade in 1989 so that a landslide does not occur. Administration and management must be further improved and management must achieve results in 1989. The achievements that have

been made in modifying the export commodity mix must continue to be consolidated and developed, export commodity processing must be intensified, and special efforts must be made to improve export commodity quality and increase their selling price. Processing of materials to assemble products for export must be developed vigorously. Management of export coordination must be improved, joint and unified foreign organizational work must be carried out well, and cutting prices for competitive marketing and undercutting each other on international markets must be prevented;

Moreover, efforts must continue to be made to improve the investment climate for foreign businessmen, foreign capital must be used positively and safely, and state-approved foreign trade projects must be developed. More loans on favorable terms and economic and technical assistance from certain foreign governments must be obtained in a planned way;

Foreign contract projects and labor cooperation must be further developed, efforts must be made to develop new markets, and economic results must be constantly improved.

Based on the policy of acting according to our capability, foreign aid capital must continue to be planned and used rationally, diversified forms of economic and technical cooperation must be developed vigorously, and foreign aid work standards must be raised to a new level.

The management of technology imports must be improved, unchecked importing must be controlled strictly, technology exports must be developed actively, and more foreign exchange must be earned for China.

Multilateral and bilateral economic and technical cooperation must be developed and active efforts must be made to do a good job of restoring China's status as a signatory to the GATT.

Zheng Tuobin concluded by calling for cadres in MOFERT departments to adapt to the new conditions and needs and improve their ideological and political work. Ideological and political work must penetrate into all professional work and the vast numbers of cadres, staff members, and workers must be taught to uphold honest government, correct unhealthy tendencies, and fight resolutely against the giving and taking of bribes.

Beijing Electronics Exports Soar
40060252d Beijing GUOJI SHANGBAO in Chinese
5 Jan 89 p 2

[Article by Chen Yingwei 7115 5391 0251 and Chang Ping 1603 1627: "Beijing Electronics Exports Top \$200 Million"]

[Text] After increasing rapidly for 2 years, Beijing electronics exports took another step forward in 1988, earning over \$200 million in foreign exchange, or twice as much as in 1987.

We learned from certain data supplied by the parties concerned that Beijing electronics exports have become noted for their quick and vigorous growth in the last few years. Beijing Municipality electronics exports earned only a little over \$50 million in foreign exchange in 1985, topped the \$100 million mark in 1987, and reached \$210 million in 1988, constituting 21.6 percent of all exports. They increased at an average rate of 47 percent a year.

Beijing electronics exports have also become noted for their major change in commodity mix in the last 2 years. Highly processed and technology-intensive products have now begun to occupy a dominant position. Complete sets of machinery and equipment and household electrical appliance exports have constantly increased and begun to gain a firm foothold on the international market.

Bidding has developed quickly in electronics exports over the last 2 years.

Beijing electronics exports have also become noted for their quick development by foreign invested enterprises [FIEs] in 1988. Beijing's FIEs had exported \$465,000 of electronics products by the end of 1987. Beijing Municipality's five FIEs that exported electronics products earned \$6,383,000 in the first half of 1988, or 6.1 percent of all electronics exports, and are continuing to grow.

Shaanxi's 'Western Avenue' to Foreign Trade
40060251c Beijing GUOJI SHANGBAO in Chinese
5 Jan 89 p 2

[Article by reporter Wang Yu 3769 1342: "Shaanxi Province To Develop Foreign Trade Through Western Avenue"]

[Text] Shaanxi Province will develop foreign trade through the "western avenue." This was the theme struck by Shaanxi Provincial Foreign Economic Relations and Trade Commission Vice Chairman Lai Yinglin [0171 2019 3829] at last year's annual meeting of the China International Trade Symposium held in Xi'an 15-18 December 1988, and at joint discussions soliciting articles on the subject of "China Foreign Trade Development and Reform."

The so-called "western avenue," a strategic plan to develop foreign trade in the interior, calls for expanding markets in the Middle East, Europe, and the United States by reestablishing the Silk Road, at the same time as continuing to consolidate and develop the Hong Kong and Macao markets. It is reported that the Lanzhou-Xinjiang railway will be extended to the Alashan Pass and will link up with rail lines within the USSR (160 km remain to be constructed at present), and thereby form the second Euro-Asian continental bridge, linking China's Lianyungang with Rotterdam in the Netherlands. When that time comes Shaanxi Province and the north-west regions can fully capitalize on this modern Silk

Road, and open up markets in the USSR and Eastern Europe as well as in Western and Northern Europe.

Although Shaanxi is located in the interior, it is one of China's eight great textile bases, and has been a priority area for economic development since liberation. The province presently has in place a modern industrial system centering principally on the aerospace, electronics, new materials, and precision machinery industries, as well as a group of production facilities and a scientific and technological contingent on a par with advanced world levels. Consequently, Shaanxi is superior to some coastal areas in terms of energy resources, machinery and electrical products, textile products, mineral resources, and scientific research capabilities, and the number of international tourists is increasing daily as well. If the rail lines of China and the USSR link up, the distance between Shaanxi and various European ports will be greatly reduced, and new prospects will thereby emerge for trade with the Soviet Union and Europe.

ECONOMIC ZONES

Country's First Joint Research Venture Reported in Shenzhen

40060264a Shenzhen SHENZHEN TEQU BAO
in Chinese 4 Jan 89 p 1

[Article by correspondent Liu Shuquan 0491 3412 3623 and reporter Luo Hongbao 5012 4767 5508: "Shanmei-Saige Research Institute Company Establish First Nationwide Sino-Foreign Joint Venture Scientific Research Organization. New Development in Shenzhen's Introduction of Foreign Capital and Methods of Cooperation. Portion of Research Institute Located Abroad, the Hong Kong Branch Being Responsible for the Collection of International Market Information. Shenzhen Head Office To Devote Full Efforts to Development of Electronic Computers and Advanced Electrical Home Appliances"]

[Text] The Shanmei-Saige Research Institute Company Limited, a joint venture between the Saige Group Company of Shenzhen and the Shanmei Electronics Company Limited of Canada, held a contract signing ceremony in Shenzhen on 3 January 1989. This will be China's first foreign venture enterprise with the goal of doing scientific research.

The electronics industry is the city's largest industry accounting for more than 30 percent of its gross output value. However, since the Shenzhen electronics industry got off to a fairly late start, its technical foundation is rather poor. Quite a few enterprises are still in the processing and manufacturing stage, and urgently require strengthening of their scientific research and development work. Establishment of the Shanmei-Saige Research Institute marks the development of Shenzhen's external technical cooperation from "three forms of

import processing and compensation trade," technology transfers, and joint ventures and joint cooperation to a new stage of joint ventures in the development of science and technology and new products.

The Canadian Shanmei Computer (Far East) Company Limited and the Shenzhen Saige Company have cooperated for a long time, and have developed subminiature computers. During May 1988, they also cooperated in the purchase of a 95-shop marketing network in the eastern United States to lay a foundation for cooperation between both parties. Reportedly, the parties have jointly invested HK\$4 million in the present venture, 70 percent of it by the Canadian company. The newly founded Shanmei-Saige Research Institute will be divided into two parts. One part in Hong Kong will be specifically responsible for the collection of related products and technical information from international markets. The personnel in this section will be mostly Canadian. The other section will be located in Shenzhen where, except for design personnel provided by the Canadians, the majority will be Chinese personnel skilled in production technology and design development.

According to Saige Group Chairman of the Board Ma Fuyuan [7456 4395 0337], the institute's research projects will be primarily be in the fields of high technology and advanced household appliances, including high resolution television sets, video recorders, graphics and text facsimile machines, printers, projectors, and videotelephones, as well as automatic office equipment. Products whose development is currently nearing completion include high resolution television sets and graphics and text facsimile machines. This scientific research institute will strive to become a managerial institution, the results of its research to be transferred for compensation to enterprises under jurisdiction of the Saige Group and to other enterprises in China, who will be responsible for their own profits and losses.

Central Advisory Commission member, and Central Finance and Economics Leadership Team Advisor, Zhou Jiannan [0719 1696 0589]; Shenzhen Vice Mayor Zhu Yuening [2612 1878 1337]; Minister of Education member and Electronics Science and Technology University president, Liu Shenggang [0491 4141 4854]; and the Canadian Shanmei Computer (Far East) Company director general, Mr Dingwei, took part in the signing ceremony.

AGRICULTURE

State, Farmer Relations on Grain Issue

40060239 Beijing *NONGYE JINGJI WENTI*
[PROBLEMS OF AGRICULTURAL ECONOMY] in
Chinese No 12, 23 Dec 88 pp 29-32

[Article by Li Zhengqiang 2621 2973 1730 of the College of Agricultural Economics of the Beijing Agricultural University: "Grain Issue—State and Farmer Relationship"]

[Text] The analysis and study of the grain issue cannot be separated from two issues: farmers, who are the main

body of production and exchange, and the state, which represents the demand side. In order to explain the growth and fluctuation of China's grain production and make proposals for future development, this article will first discuss the relationship between the state and farmers and then analyze the change in the status of Chinese farmers and the effect of external incentives.

I. The General Definition of State and Farmer Relationship

The state and farmer relationship is demonstrated mainly in the following three areas:

A. To what extent does the state recognize farmers' status and rights or to what degree are farmers' demands for status and rights satisfied in social economic life? The answer to this is whether or not national economic development strategies, policies, and reform measures respect the proper status and rights of farmers in political and economic life. Obviously, the more their status and rights are respected, the more responsible they will feel for social development.

B. To what extent does the state recognize farmers' interests in the circulation process of farm products or to what degree are farmers' demands for profits satisfied in the circulation process of products? The answer to this relation is whether or not the state practices the exchange of equal value in accordance with the law of value when it procures farm products from farmers and how satisfied farmers are with the circulation method of farm products and their price levels. Obviously, if they are highly satisfied, production will be given a great boost and the supply of farm products will increase. Otherwise, there will be a shortage of farm products.

C. Can the state provide a favorable investment environment and conditions for farmers to develop production or can farmers find a better environment and material conditions needed for the expansion of production?

What needs to be explained is that these three factors complement and condition each other and that the pattern of farmers' behavior is a combined result of the three.

II. The Growth and Fluctuation of Grain Production Coincides With the Situation of State and Farmer Relationships

Since the founding of the PRC, the relationship between the state and farmers have been sometimes harmonious and sometimes tense; the three expressions of the former are positive and the expressions of the latter are negative at least in one aspect. What is worth noticing is that China's grain production has also increased and fluctuated accordingly, showing that the two are closely related. The following is an analysis of situations in major periods.

A. The period between the PRC's founding and the First 5-Year Plan (1949-1957). During this period, an earth-shaking change occurred to farmers politically and economically, kindling their enthusiasm for production and resulting in rapid developments in grain production. During the years of recovery, grain output increased at an average of 13 percent a year. During the entire 8 years of this period, the annual progressive increase rate of grain production was as high as 7.04 percent. During the same period, farmers' per capita net income increased at an annual rate as high as 30 percent.

Here we need to point out that China had begun to implement the strategy of industrialization during this period, but the situation at the time indicated that the role and position of industry and urban residents were still weak in the whole social and economic system and that the role of farmers was very important in the national economic life.

B. The period of collective production (1958-1978). This is a very long period in the history of agricultural development in new China. The analysis of social and economic characteristics at that time clearly shows the following points:

1. During this period, urban industries, which had been almost nonexistent, began to develop by leaps and bounds. Meanwhile, the interests of the class of urban residents expanded rapidly and occupied an important position in national political and economic life. Farmers' position and interests were subordinate to industrial development and the ensuring urban residents' daily needs.

2. The loss of farmers' rights and the evolution of farmers' status. Farmers gained the right to own and control land through the land reform but later lost it due to the movement of agricultural collectivization. In spite of the "collective" form of ownership, as far as individual farmers were concerned, they became proletarians who had almost nothing except for their own labor. At the same time, farmers were concentrated according to regional division under a powerful vertical control system, thus depriving them of their freedom of movement. As a result, farmers, who used to own a small piece of land and relevant production tools, were turned into "tools of operation" who owned no means of production and were controlled by outside forces. The failure to display farmers' original master status set farmers objectively against production elements and activities and caused them to lose all enthusiasm for agricultural development. The concern of many farmers over the stability of policy in recent years is a sufficient reflection of their fear of "leftist" policies in the past.

3. Since farmers lost the ownership of the fruit of their labor, the income elasticity of grain output had no stimulating effect as far as farmers were concerned. All activities in the economic sphere rely on the stimulation

of the results of laborers. During this period, the implementation of the unified state purchase and distribution system caused collective and individual farmers to lose, to a large degree, the right to own and control the fruit of their labor. At the same time, a redistribution process was added to the distribution of farmers' production results. In other words, not only egalitarianism and indiscriminate transfer of resources were practiced among collectives, surplus products were also divided up equally among farmers within each collective. This undoubtedly weakened the link between farmers' income and their labor input, making it difficult for production results to have obvious stimulating effect on farmers.

To be more specific, we will use a new concept, called the income elasticity of grain output, namely the rate of change in farmers' income for each unit of increase or decrease in grain output. This can be explained in the following formula

$$E = \frac{\Delta I/I}{\Delta Q/Q}$$

where Q is grain output and I is farmers' income

For convenience, we will use farmers' per capita net income for farmers' income. Between 1949 and 1957, Chinese farmers' per capita net income increased a total of 715.73 percent, averaging 30 percent a year. During the same period, grain output increased a total of 72.31 percent, averaging 7.04 percent a year. Based on total increase, the income elasticity of grain output is: $E_T = 715.73 / 72.31 = 9.898$. In other words, for each 1 percent of increase in total grain output, Chinese farmers' per capita net income increased 9.898 percent. Based on average annual increase, the average income elasticity of grain output in that period is: $E_A = 30 / 7.04 = 4.26$. In other words, for each percent of annual increase in grain output, Chinese farmers' per capita net income increased 4.26 percent a year. By the same token, we can calculate the elasticity value of the 1965-78 period. Based on total increase, $E_T = 0.433$; based on average annual increase, $E_A = 0.486$. (During this period, the average annual increase of farmers' per capita net income was only 1.07 percent and the average annual increase of grain output was 3.5 percent.) It is obvious that during this collectivization period, the income elasticity of grain output was much smaller than the level of the 1949-57 period. This means that a great part of the increase in production was lost and that a decrease in production probably would not lower farmers' income level very much either. Under the condition that producers were unable to change their environment, it was only natural for them to have low enthusiasm for production and low labor productivity.

4. The procurement price of grain lost its positive regulatory effect on farmers' economic behavior. Due to the combination of the high-degree monopoly of the

state unified procurement and marketing system in the circulation and exchange of farm products and the high-degree planning and organizational nature of agricultural production, the effect of price had been seriously distorted in economic life. On the one hand, a considerable amount of farmers' income was wage in kind obtained from collectives, not monetary income. In 1978, wage in kind accounted for over 49 percent of Chinese farmers' total income. On the other hand, since prices were oriented toward collective farmers, not farmers themselves, the regulatory effect of price on actual laborers—individual farmers—was reduced drastically. Because of this, although several major readjustments of grain prices were carried out during this period, production did not go up as much as was expected. During that period, grain output increased on an average of 2.13 percent a year and the price index of grain procurement increased on an average of 2.94 percent a year (using 1950's prices as base figures). In other words, for each unit of increase in the price index, grain output increased on an average of 0.724 percent. However during the 1949-57 period, for each unit of increase in the price index, grain output increased on an average of 1.482 percent.

If the main body of production—farmers—lost their enthusiasm for the development of production due to changes in their status and a lack of external incentives, how did China's grain production still maintain a general upward trend during the 1957-78 period? This can be better explained by the following points: 1) The vertical planning and control system played an important role in maintaining a continuous growth of grain production. Effective planning and control deprived the majority of farmers of freedom in choosing production orientation and forced them to put their labor and other resources into grain production. Although restrictions on the scale and variety of products in the state plan could not bring desired increases in production, they had to a certain extent stopped the decline of production. 2) The large amount of state investment in capital construction, the supply of low-priced capital goods for agricultural use, and a series of measures adopted to support agriculture lessened, to a certain extent, the negative effect on the development of production caused by farmers' low enthusiasm for increasing production. This played an important role in maintaining a slow growth of grain production. 3) Cadres at the grassroots level and scientific and technological personnel in rural areas played a role. Under the management system that integrated government administration with commune management, cadres of brigades (villages) and production teams represented mainly the will of higher levels and the demands of the state plan. They persuaded or forced commune members to do things according to the state plan. Regional divisions concentrated and strengthened the role and power of village and production team cadres, giving them the status of "master of the whip" to control farmer communities. This offset, to a certain extent, the passive behavior of individual farmers. Therefore, we may say that the existence of grassroots party and government organizations was an important guarantee for maintaining the development of grain production. In addition, the scientific and technological personnel at

county, commune (township) and brigade (village) levels played a role that should not be underestimated in the development of grain production.

C. The period between 1979 and 1984. This is a period of inspiration in the course of agricultural development in China. Obviously, state and farmer relationships underwent the following changes:

1. Farmer status was respected. During this period, a new form of production organization created by farmers themselves gained the recognition of society and the support of the government and quickly achieved results. This alone enabled farmers to gain the respect of the whole nation. During that period, government policies gave obviously more consideration to farmers, rural areas, and agriculture.

2. Farmers regained their power. This was expressed as follows: Farmers regained the right to control land. Their right to choose production items continued to increase. They gained a varying degree of control over the storage and sales of their products. A direct and close link was established between farmers' income and their management returns and a unity achieved between the increase of production and that of income. In addition, farmers had relative freedom in their movement and they were no longer prohibited from engaging in labor work or other non-agricultural jobs. This increased farmers' enthusiasm for participating in development and increasing production.

3. The combined effects of a large-scale price readjustment for farm products and the restoration of farmers' rights guaranteed the profits of their production. Since the price lever established a direct economic relationship with farmers, not some abstract collective organizations, the price rise resulted in a direct increase in farmers' income. This further aroused farmers' enthusiasm for developing production and increasing income.

4. Original capital construction yielded results, providing free benefits for farmers. At the same time, capital goods for agricultural use were still supplied at low prices under the original preferential system, providing a condition for farmers to be enthusiastic about production.

In sum, during this period, farmers' master status was reaffirmed, their position and rights gained respect, external environment provided powerful incentives, and the state and farmer relationship obviously entered a benign period. In this period, the total increase of grain production was 33.9 percent and its average annual increase rate was as high as 4.99 percent.

D. The stagnant period of China's grain production since 1985. During this period, following changes occurred:

1. Compared to the previous period, land was still used and managed by farmers, and the relationship between

farmers and land remained unchanged. However, the state's grain procurement method again deprived farmers of the right to managing their own products. The existence of markets intensified the negative effect of the procurement contract system and the equal apportionment of tasks in procurement contracts encroached upon even farmers' decision-making power in production. Consequently, farmers' trust in the government was reduced substantially.

2. Compared to the previous period, the rise of grain price basically stopped and the increasing shortage of capital goods for agricultural use caused the prices of capital goods to soar, thus reducing farmers' profits of grain production. The opening of the market for products other than grain increased the opportunity cost of grain production, lowering still further the relative profits of grain production. Since obvious income disparities existed between different production items, the disposition of production elements did not reach its maximum efficiency. As far as farmers are concerned, changing the direction of their input can raise their overall income level and create an internal incentive for changing the disposition of production elements. Separate household management gave farmers the power to arrange production elements, making it possible to change the direction of their input. This point is proved by the fact that quite a few farmers have lost interest in growing grain and switched to other crops since 1985. For those who have not been able to switch due to the restrictions of environment or their own conditions, income has stagnated or even declined. So relaxing management has become another choice for grain farmers.

3. Original agricultural infrastructure has weakened or deteriorated and the state has continued to slash investment in agricultural capital construction. No clear management and use system has been established for infrastructure built in the past, causing the production environment of grain farmers to deteriorate continuously.

4. Due to the increasingly serious corruption of some departments or personnel, farmers are hurt mentally and emotionally. This cannot but lower their enthusiasm for getting involved in social development.

The above analysis explains that the fundamental reason for the stagnation of grain production is the fact that the relationship between the state and the main body of grain production—farmers—tensed up again after 1985. Remember, if there were no administrative intervention, even the slow recovery of 1986 and 1987 probably would not have occurred.

III. The Principle of Development—Improving the Relationship Between the State and Farmers

The basic condition needed to guarantee a continuous growth of grain production is, as vaguely indicated in the above analysis, maintaining a sound relationship between the state and farmers. To do so, it is especially necessary to fully understand farmers' role and characteristics.

We should affirm Chinese farmers' outstanding contributions to the entire social development in different stages of social development. This is the first step in establishing a sound relationship between the state and farmers. Chinese farmers' role and selfless contributions during the revolutionary and socialist construction periods no longer need to be repeated here in detail. Now in the reform period, it is Chinese farmers who have taken great risk and the lead in breaking through the ossified system and opening up an avenue for the development of the whole social economy, thereby promoting urban and industrial reforms. Judged from the current situation, over 50 percent of total social purchasing power is in the hands of farmers, 60 percent of the total amount of currency circulating in the market and society is held by farmers, and over 60 percent of all retail social commodities are sold to rural areas. The principle is very simple. We need the active involvement of farmers to bring about a rapid, all-round development of the commodity economy.

In addition, correctly understanding farmers' current conditions is of great significance to properly handling the relationship between the state and farmers.

A. Farmers have become de facto owners of small lots. Although China's law stipulates that land belongs to the state or collectives, the economic expression of state or collective ownership has diminished since the separate household management of land. On the one hand, the state or the collective no longer assumes responsibilities or duties for land and collective taxes in many cases are not levied on land but on people. This is an important expression of weakening collective ownership of land, which is also reflected by the phenomenon that collectives let farmland become waste land and do nothing about it. On the other hand, speaking from farmers' angle, although land is originally contracted from the collective, farmers feel that "land is mine again." Moreover, the direction and degree of land use is determined by farmers, not collectives, still less the state. Therefore, I believe that farmers have now become de facto owners of small lots. Any change in land relation must give full consideration to this fact.

B. The scope of farmers' operation is no longer determined by minimum wage but by the average profit of input. Obvious income disparities between different production items, the power to make their own decision in production and management, and conditions accumulated in the previous period of development—all this has made it possible for today's Chinese farmers to rearrange existing production elements. Under these conditions, the scope of farmers' operation is no longer determined only by minimum wage. The average profit of unit input is playing an increasingly important role. Average profit decides the scope of operation especially for the commodity part of farmers' total output. If average profit is high, farmers will increase input to expand the commodity part of their output; otherwise, they will reduce the input of production elements. What needs to be

explained here is that the co-existence of self-supporting and commercial natures in the production of farmer households has made it possible for farmers to adapt to environment changes. When the environment is good, farmers can increase input to expand the commodity part of their output and earn higher income. When the environment is bad, farmers can switch to other lines of production or reduce input to keep their profit level from dropping too far. The second scenario will not affect the self-supporting part of their output, but it will substantially reduce the supply of commodities and exacerbate the supply and demand contradiction of farm products. This is even more so in grain production.

C. Farmers are very responsive to the market mechanism. This point does not need further discussion.

Solving Problem of Large-Scale Hog Breeding
40060229a Beijing JINGJI CANKAO
in Chinese 4 Jun 89 p 2

[Article by Long Xiangchao 7893 0686 6389: "An Option for Getting Out of a Difficult Situation—Large-Scale Hog Breeding"]

[Text] China's Current Hog-Breeding Situation and Existing Problems

China's hog production has grown considerably in recent years, and the slaughter rate, which had hovered at around 50 percent for a long time, has risen to 71.16 percent (338.1 million hogs on hand and 267.7 million hogs slaughtered). However, compared with advanced nations, the disparity is still very great. For example the United States slaughter rate is 152.9 percent, Japan's is 198.8 percent, and the UK's is 197.25 percent. Compared with the average slaughter rate for the whole world of 100.72 percent, too, there is a considerable disparity. China is currently a major hog-breeding nation, whose amount of live hogs on hand accounts for over 41 percent of the total number of live hogs on hand in the whole world. Since its slaughter rate is low, an enormous amount of grain is consumed. If we can progressively raise the slaughter rate of 158 percent, slightly surpassing the United States, which is at a medium level; then, even maintaining the current market slaughter rate, it is possible to reduce the number of hogs on hand by 169 million. Calculating at 500 kilograms of grain consumed per hog annually, then nation as a whole can in 1 year save 84.5 billion kilograms of grain, accounting for 20.7 percent of the 1984 gross grain output of 407.3 billion kilograms, which was China's biggest grain output. It is apparent from this that a serious problem confronted by the development of the hog-breeding industry is how to use every possible means to raise the level of production, using less grain to raise more and better hogs.

China's hog production currently has a low rate of survival and a high rate of death loss. The average number of hogs dying of natural causes annually has now reached over 30 million, equivalent to the sum of the

hogs on hand in four other nations which raise a comparatively large number of pigs, such as Japan, Denmark, Yugoslavia, and Australia.

Develop Hog-Breeding on a Scale Appropriate to National Conditions

China's nation conditions are a shortage of grain, a lack of energy sources, inadequate financial sources, and backward industrial and agricultural production, but an abundant labor force. These characteristics are the exact opposite of those of developed nations, and this has determined that China's large scale hog-raising cannot follow foreign nations' route of highly intensive and mechanized production. China's development of hog-raising should consist of using a relatively small amount of input to obtain a relatively large number of pork products and achieve greater economic, social, and environmental benefits. Therefore, the scale and the degree of mechanization should fit the specific conditions of each locality; we should stress research and extension of scientific hog-raising production techniques, hoghouse construction, and facilities appropriate to national and local conditions, simultaneously implemented by the state, collectives, combined bodies, and individuals, as well as create conditions for the vast countryside's traditional sideline hog-raising, and progressively achieve a transformation into large-scale operations.

China's appropriately-scaled hog-raising can be divided into two types: externally-oriented and internally-oriented. Externally-oriented hog-raising is oriented toward the international market, and it is established primarily in the open coastal region; its degree of intensiveness and mechanization must be fairly high in order to improve its competitiveness. The internationally-oriented market must take into account the problems of feed supply and disposal of animal wastes, otherwise, the burden of feed allocation and transportation will be increased and the urban environment will be polluted.

Experts and professors, in discussing this issue, stress that China's pressing matter of the moment is not to make great efforts to develop hog farms, particularly large-scale, mechanized hog farms, but rather to improve and extend scientific hog-raising techniques, as well as to create the conditions needed for this. To this end, representatives at the National Conference on Appropriately Scaled Hog-Raising, which was recently convened in Guiyang by the China Agricultural Engineering Society's Special Committee on Animal Husbandry Engineering, called for the following:

First, establish and strengthen an improved variety breeding system. In recent years, the central authorities and localities have spent a large amount of foreign exchange on introducing good foreign varieties of hogs in order to improve the adaptability of imported varieties to China's climate. It was recommended that China establish planned breeding farms or breeding centers for introducing improved varieties of hogs, as well as to

establish, in coordination with these, pure breeding farms at the provincial, municipality, or prefectural levels (primary and secondary breeding farms) in order to produce crossbred commercial pigs for providing paternal hogs. In addition, although China's good local varieties have such advantages as frequent farrowing and high resistance, some are on the brink of extinction due to ineffective protection of variety sources. In order to preserve and enrich China's precious hog variety gene pool, as well as provide maternal pigs for crossbreeding commercial hogs, it is recommended that each province, municipality, and autonomous region establish farms or centers for breeding good local hogs and, in coordination with this, establish prefectural and county-level pure-breeding farms for good local hog strains, and district and township-level pure-breeding or crossbreeding farms for good local hog strains, and support the establishment of two- or three-dimensional crossbreeding households run by districts, townships, or specialized households. Establish and strengthen an artificial insemination network mutually coordinated with the breeding system and progressively spread hog artificial insemination technology.

Second, actively develop a livestock and poultry feed industry. At present, we should first vigorously develop sources of feed, especially developing and utilizing protein feeds. The representatives state that China's current practice of exporting soybeans and soybean dregs and then importing fishmeal to feed livestock and poultry is extremely uneconomical.

Taking the importation of Peruvian fishmeal as an example, importing 1 ton costs \$550, and the protein content is only 65 percent, while the protein content of China's soybean dregs is also over 42 percent. It is recommended, first, China discontinue or reduce its exports of soybeans and soybean dregs; and, second, that it not import Peruvian fishmeal, switching instead to importing soybean dregs. We must successfully develop feeds and utilize to the utmost all agricultural sideline products and surplus materials from the processing of industrial products. In addition to soybeans and soybean dregs, there are bright prospects for the remnants left over after processing in breweries, pharmaceutical factories, vermicelli factories, and the like.

Next, establish in a planned way a feed processing system. The present problem is that there are very few processing plants, and most of them are concentrated in cities and towns; raw materials are transported from the countryside and products are sold back to the countryside, and this has not only increased consumption of funds and energy resources by transportation, it has also increased feed production costs. Therefore, it is recommended that the state rationally distribute in a planned way certain feed processing enterprises. For example, on the provincial and prefectural level, construct premixed feed plants and manufacture various types of feed additives; on the prefectural and county level, construct concentrated feed plants; and at the township and village

level, or even individual household level, operate certain small-scale processing plants, or, in accordance with the product directions of premixed feed plants, add energy feeds and mix compound feeds needed by pigs with differing growth period durations. This would ensure quantity and quality of supply, as well as reduce round-trip transportation and facilitate the production requirements of peasants.

Third, establish and strengthen an epidemic prevention system. China already produces vaccines and has formulated immunization methods and procedures for the principal communicable diseases affecting hogs—swine fever, swine erysipelas, swine pneumonia, and swine paratyphoid, but there are still no drugs to prevent and control such diseases as swine white diarrhea, Disease No 5, foot-and-mouth disease, and atrophic rhinitis, of which there are still frequent outbreaks; and it is necessary to step up development of veterinary pharmaceutical production. Epidemic prevention work is conducted primarily at the grassroots level, and relies on the strength of township and village veterinary stations. Since veterinary stations everywhere assumed sole responsibility for their profits and losses, a new problem has appeared: namely, if epidemic prevention work is successfully carried out, there are a few outbreaks of disease in livestock, and the veterinary stations lose jobs and, consequently, economic returns. Such methods as having the stations run by local people and subsidized by the state can be adopted, and grassroots-level veterinary stations given appropriate subsidies, in order to spark the zeal of first-line veterinary personnel.

At present, there are districts, townships, and villages in many localities in China which lack even veterinary personnel and organizations, to say nothing launching epidemic prevention work. Therefore, we must pay close attention to training grassroots-level veterinary personnel, establishing and strengthening township-level veterinary epidemic prevention organizations, replenishing essential personnel and equipment, and conscientiously resolving the problem of lack of medical treatment and shortage of drugs in animal husbandry production. We can adopt the practice of having technical personnel conclude contracts with hog farms and specialized households, and give full play to the role of technical personnel.

The Social Environment Must Be Internally and Externally Coordinated

The participants in the conference also stated emphatically that in order to increase hog production it was essential, as with other industries, that there be an internally- and externally-oriented social environment.

In developing the hog-breeding industry, since feed is its foundation, varieties are its basis, and epidemic prevention is its guarantee, investment should be focused on feed production, introduction and cultivation of good varieties, and epidemic prevention organizations and

facilities; it is inadvisable to make the establishment of large-scale commercial hog farms the focus of investment. It is true that "food and fodder should go before troops and horses."

Next, there must be a suitable price ratio between hogs and feed.

Third, the neighboring environment must be improved. Each industry should start from what is advantageous to production growth, clearing the way and removing obstacles. The problem currently demanding prompt solution is that of straightening out feed production supply, product marketing, and processing storage and transportation channels, as well as ensuring energy supply and carrying out before- and after-production service. As long as the various links of production, supply, and marketing are conscientiously unified and coordinated and the local environment of the hog-breeding industry is improved and developed, China's hog production can rise to a new level.

Northwest Grain Problems

40060229b Beijing JINGJI CANKAO
in Chinese 29 Dec 88 p 1

[Article by Wang Shihuan 3769 0013 3762 and Sun Ninghai 1327 1337 3189: "Suggestions for Increasing Grain Production: Part Three of an Examination of the Grain Problem of the Five Northwestern Provinces and Autonomous Regions"]

[Text] In order for the average per capita grain holdings in the five northwestern provinces and autonomous regions to reach 400 kilograms by the end of this century, the gross grain output of these five provinces and regions must increase by more than 9.5 billion kilograms over the current output. Of this, Shaanxi must increase its output by 4.15 billion kilograms, Gansu 2.6 billion kilograms, and Ningxia 800 million kilograms.

How shall this target be achieved? The reporters recently visited several responsible provincial and regional officials in the Northwest, and they made several suggestions.

First suggestion: Relying on special policies favorable to the development of grain production, provide peasants with material benefits and spark their zeal for growing grain. At present, peasants in the Northwest, like those in other regions, are unhappy about price hikes for agricultural chemicals, chemical fertilizer, plastic film, and kerosene; they all complain that grain prices are too low; and they also complain that the "three links" policy is often not carried out. These factors have all dampened the peasants' zeal. The state should adopt effective measures to resolve this actually existing problem and arouse the peasants' zeal for growing grain.

Second suggestion: Increase agricultural input and vigorously extend agricultural science and technology.

Comparing 1987 with 1979, financial input into agriculture in the five northwestern provinces and autonomous regions has decreased year by year, and the level of material input in agriculture is also generally lower than the average level of the nation as a whole. The specific data for the decrease in agricultural support funds in these provinces and regions is as follows: Shaanxi dropped from 580 million yuan in 1979 to 460 million yuan in 1986; Xinjiang dropped from 1.059 billion yuan in 1980 to 766 million yuan in 1985; Gansu's agricultural support funds accounted for 25.3 percent of fiscal expenditures in 1979 but declined to 22.5 percent in 1986; Ningxia's agricultural support funds accounted for 22.5 percent of fiscal expenditures in 1979 but declined to 13.7 percent in 1986.

Many agricultural experts in the five northwestern provinces and autonomous regions have recommended that legislation be used to stipulate the percentage of the fiscal budgets of various levels that is to be used for agricultural investment, and guarantee the sources of funds. At the same time that input of agricultural support funds is increased, material input should also be increased. Zhang Jinyuan [1728 6651 0337], chairman of the Gansu Provincial Agricultural Commission, told the reporters: "If there is a large amount of material input into agriculture, Gansu Province will be able to achieve self-sufficiency in grain by 1995." Gansu Province currently needs 1.6 million tons of chemical fertilizer annually, but only 1.2 million tons are actually supplied, and the level of utilization of chemical fertilizer is only half of the average level of the nation as a whole. If chemical fertilizer were increased in agriculture by 10,000 tons, grain could be increased by 125 million kilograms. The yield of Gansu's 40 million mu of medium- and low-yield farmland in particular could be greatly increased through the adequate use of chemical fertilizer.

Third suggestion: Establish varied commodity grain bases and increase the grain commodity rate, while at the same time, in localities with the proper conditions, encourage peasants to engage in development operation themselves.

Shaanxi has combined large scale land operations with commodity grain base construction, focusing on locating commodity grain bases in such areas as Guanzhong and Hanzhong, which have good transportation, a large area of arable land, abundant irrigated land, a high level of mechanization and a relatively large output increase potential and protection advantage.

Shaanxi is striving to construct three commodity grain bases in 1990, in the Guanzhong Plain, the Hanzhong Basin, and the Weibei Drylands, as well as make to grain yield of three commodity grain bases account for 74 percent of the gross grain output of the province as a whole for that year, and their commodity grain yield accounts for over 85 percent. Beginning in 1986, Gansu has annually invested 20 million yuan and constructed

commodity grain bases totaling 16 million mu throughout the province. Ningxia, too, has constructed a number of high, stable yield commodity grain bases in various countries and municipalities in the region of the Yellow River irrigation project.

In Xinjiang, Qinghai, Gansu, and other provinces and autonomous regions, the government has provided the peasants with a number of loans and relatively preferential policies, and this has encouraged them to open up a large area of wasteland in localities with adequate water resources and produce a considerable volume of grain, forming a fairly large commodity scale. The grain commodity rate of these peasant households is two to three times higher than that of average peasant households, and even grain cultivation alone can lead to prosperity.

Most of the many large development-type grain-cultivating households which have appeared in various localities in Xinjiang in recent years have expanded their scale in production and operation by independently digging wells and opening up wasteland. Such regions as Tacheng, Ili, and Altay have many large grain-cultivating households engage in development-type scale operations, and households which annually deliver 5000 kilograms of grain to the state are quite common.

Survey Results Reported on Anhui Fertilizer Supply Methods

40060225b Beijing JINGJI CANKAO in Chinese
3 Jan 89 p 2

[Article by Song Bin 1345 2430: "Views From Various Quarters on Chemical Fertilizer Supply"]

[Text] In recent years, chemical fertilizer problems have become a "hot topic" about which everyone is concerned. Just what can be done to solve the tumultuous problems in the buying and selling of chemical fertilizer? What thoughts and recommendations do various quarters have about chemical fertilizer supplies? Recently Anhui Province's Urban Sampling Survey Team used a questionnaire to survey 600 peasant households, and 17 supply and marketing cooperatives and chemical fertilizer plants in 18 cities throughout the province. Results of this survey are provided below:

Peasants: 80 percent approved an exclusive supply and marketing cooperative dealership; and 71 percent wished they had direct contact with producers and marketers

Three-fourths of the peasants surveyed depended on the purchase of high priced chemical fertilizer to maintain agricultural production, more than 72 percent of the amount purchased by each household being high priced chemical fertilizer. For this reason, 69 percent of the peasants opposed continuation of chemical fertilizer supply by both supply and marketing cooperatives and markets. Eighty-six percent of peasant households disapproved direct market regulation of fertilizer, prices fluctuating with the market.

Thus, when the questionnaire asked whether supply and marketing cooperatives alone should deal in fertilizer if the price of chemical fertilizer throughout the province were uniform, 80 percent of the peasants approved. The peasants generally felt that when many middlemen are involved in supplying chemical fertilizer, each one setting a price, and every level charging extortionate prices, in the end it is the peasants who are the losers. Only a uniform price, with supply and marketing cooperatives being exclusive dealers can avoid such a tumultuous situation.

However, 13.6 percent of peasants did not agree with an exclusive dealership. They feared that once there was an exclusive dealership, supply would not be prompt, parity price would become a high price, and one would be unable to buy fertilizer if his coupons had expired. They also feared backdoor deals, and stifling control once uniformity had been achieved.

Seventy-one percent of peasants approved direct dealing with producer suppliers, chemical fertilizer plants supplying chemical fertilizer directly to peasants. They felt that by so doing, middlemen could be eliminated, and an end put to the sale of fake fertilizer. At the same time, prices would be cheap and reasonable, and "profiteers" could be prevented from making easy gains.

In the course of the survey, the peasants also raised specific demands with regard to exclusive chemical fertilizer dealings. They wanted basic amounts of fertilizer supplied to peasants to be set on the basis of the amount of contracted land to be sown to crops, and then both the fixed contract procurement of grain and the amount of other agricultural byproducts sold should be linked to the amount of chemical fertilizer supplied. The government should set the basic amount of fertilizer to be used in accordance with plan, and issue chemical fertilizer coupons to permit purchase of that amount. Procurement units should issue additional chemical fertilizer coupons for the portion of agricultural sideline products sold on the basis of the amounts sold. However, no matter who issues the chemical fertilizer coupons, the exclusive supply and marketing cooperative dealership would supply the fertilizer. Peasants could go to designated supply and marketing cooperatives and to authorized outlets to make purchases.

Regarding fertilizer prices, the peasants asked that increases correspond to the rise in prices of agricultural sideline products, and that they be set by a central authority, the currently used "median price" being most suitable.

Grassroots Supply and Marketing Cooperatives: In a difficult situation and hoping for an exclusive chemical fertilizer dealership

Grassroots supply and marketing cooperatives are in the predicament of "taking the heat from both ends" in supplying chemical fertilizer. On the one hand, the

peasants complain a great deal about supply and marketing cooperatives' supply of chemical fertilizer; on the other hand, the cooperatives face conflicts with both chemical fertilizer plants and multiple dealers in the chemical fertilizer market. Consequently, they urgently wish that supply and marketing cooperatives were exclusive dealers in chemical fertilizer and other agricultural means of production to end the present turmoil in the buying and selling of chemical fertilizer.

Grassroots supply and marketing cooperatives recommend an overall average price for chemical fertilizer from producing plants, chemical fertilizer that higher authority allots, and fertilizer obtained through either inter-provincial cooperation or imports in order to stabilize prices of chemical fertilizer. Fertilizer plants should supply the chemical fertilizer that they produce to grassroots supply and marketing cooperatives in order to reduce the number of middlemen involved and costs. Fertilizer should be priced differently during slack seasons and busy seasons for fertilizer use in order to encourage supply and marketing cooperatives to "store during the slack season and supply during the busy season." Alternatively the peasants could store fertilizer in order to solve the problem of a difference in times of supply and demand for chemical fertilizer.

Production and Marketing Plants: Approve direct supply by producers and marketers, but oppose exclusive dealerships

When asked the question, "Should chemical fertilizer plants supply chemical fertilizer directly to the peasants in order to reduce the number of middlemen," 80 percent of the 15 small chemical fertilizer plants approved, but only 20 percent of the plants approved exclusive supply and marketing cooperative dealerships. Reasons given for approving direct supply included: 1) Elimination of "official profiteering" and "private profiteering" by middlemen; 2) Can increase the vitality of producers; and 3) Peasants could benefit in material ways.

Chemical fertilizer producers universally said that under the existing marketing system for locally produced chemical fertilizer, once the chemical fertilizer left the plant, it was turned over to county agricultural trading companies, who then distributed it to individual township supply and marketing cooperatives, or retail stores. They, in turn, sold it to the peasants. The numerous middlemen involved in this method, and the turnover from one to another, increased the links in the circulation chain. In addition, past practice shows that procurement contracts signed between agricultural trading units

and chemical fertilizer plants are not enforced entirely as they should be. During the slack season, the agricultural trading units do not want to store chemical fertilizer, and they use all sorts of pretexts for not abiding by the contracts. This means that producers have to store too much fertilizer during slack seasons, thereby tying up large amounts of working capital, which hurts the enterprise's normal production.

How can producers supply chemical fertilizer to the peasants directly? They suggested specific ways as follows: distribution norms based on the farmland area contracted by peasant households, and the amount of chemical fertilizer needed for the land, the government issuing chemical fertilizer supply vouchers to peasant households directly. The plants can then supply the fertilizer to sites in townships, or administrative villages may centrally place orders at the plant, either the plant then being responsible for shipping the fertilizer, or the peasants coming to get it themselves. The survey also found that 80 percent of producers disapproved small chemical fertilizer plants applying uniform prices throughout the province. They suggested differential prices based on quality, and different prices during the slack and busy seasons, pricing bureaus in separate jurisdictions setting ex-factory and sale prices. This would help producers improve product quality, and would introduce a competitive mechanism among chemical fertilizer producers.

Shandong Agricultural Investment
40060351b Beijing RENMIN RIBAO in Chinese
15 Feb 89 p 2

[Summary] In 1989 Shandong Province plans to invest 1.2 billion yuan in agriculture, a 30 percent increase over 1988. In addition, the province will provide \$100 million to import farm materials.

Shanxi Grain Output
40060351c Beijing RENMIN RIBAO in Chinese
17 Feb 89 p 2

[Summary] In 1988 grain output in Shanxi Province totaled 8.183 billion kilograms, an increase of 1 billion kilograms over 1987.

Sichuan Increases Cultivated Area
40060351a Beijing RENMIN RIBAO in Chinese
18 Feb 89 p 2

[Summary] In 1988 Sichuan Province increased its cultivated area by 152,000 mu, orchards by 252,000 mu and land use for fisheries increased 24,000 mu. Grain output is expected to increase 15 million kilograms.

Peng Peigen Challenges Fang Lizhi on Nationalism

40050216 Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 228, Jan 89 pp 92-95

[Article by Peng Peigen 1756 1014 2704: "Chinese Culture Will Not Die Despite Fang Lizhi's Prediction"]

[Text] Editor's Note: The Fang Lizhi [2455 0536 0037] interview "Will China Disintegrate?" which was published in our October issue, has provoked a sharp response from Mr Peng Peigen, an architect who was raised in Taiwan, studied in the United States, and returned to the Chinese mainland 6 years ago to devote himself to China. In a telephone interview, we asked Fang Lizhi to respond to Mr Peng's letter. In particular, we asked him to further explain the decline of Chinese culture, patriotism and nationalism, and the disintegration of China.

Peng Peigen's letter and Fang Lizhi's response are highly reflective of the two attitudes to the Chinese nation today among Chinese at home and abroad.

Mr Fang needs no introduction. Here is a brief biographical sketch of Mr Peng Peigen.

Peng Peigen, 45, graduated from Hsin-chu High School and Cultural University in Taiwan. He holds a master's degree in architecture from the University of Illinois in the United States and worked for 10 years in North America, including a stint as assistant professor at Waterloo University in Canada. He joined Qinghua University in Beijing as associate professor in 1983. In 1984 he founded the mainland's first private architectural firm with Chinese and foreign participation. Peng Peigen and his firm, "Dadi Architectural Company," have won first and second prizes in nationwide design competitions five times. He headed a team of 11 experts from 6 countries in drawing up a comprehensive urban plan for Xiamen.

Foreword

1. After finishing my letter to Mr Fang Lizhi on 19 October 1988, I telephoned Li Yi [2621 1837] and asked him, "Does your forum accommodate every point of view? Or are you like the Communists and tolerate only one school of thought?" He said, "Our forum is open to everybody as long as the article makes no personal attacks." I told him I was going to send him a copy of my letter to Mr Fang.

2. After I sealed the letter destined for Hong Kong, I received a response from Mr Fang within an unexpectedly short period of time. While Mr Fang did not answer my points directly and stuck to his views in three-quarters of the second part of his letter, I could tell he is a very sincere scholar. In my opinion, intellectuals write to each other to exchange ideas, explore issues, and remind one another as onlookers. Now that Mr Fang had

written me such an earnest letter, I thought our exchange had more or less served the first two purposes. I decided not to mail the letter to the magazine, for two reasons. First, I did not want to thrust myself into the limelight because of the letter. Second, I was reluctant to share our correspondence with the entire world. So I dashed off a letter to Li Yi, explaining why I decided not to submit the letter and offering my apologies.

3. Afterward I discussed this matter with a couple of close friends at Qinghua University and with Fu Si [0265 1835]. They said I should submit the letter for publication after all but suggested that I make it clear that the publication of the letter did not target Fang Lizhi personally. The letter should be published to let Taiwan intellectuals and young scholars know that even many people on the mainland do not agree with Fang Lizhi's way of thinking, that support for his point of view is hardly universal. Second, and even more important, the letter would give me a chance to defend Chinese culture in a way that would go down well with the modern era. I hope that conscientious people at home and abroad will reexamine these old issues from various angles and at various levels.

4. Lin Jian [2651 3386], one of the more outstanding architecture graduates I have taught at Qinghua University, has made some rather objective remarks, "I think both of you have transcended party affiliations. Both of you love China. Fang Lizhi may be opposed to patriotism, but his starting point is still patriotic. The only difference is that he embraces Western surgery as a cure for China, while you advocate the careful treatment approach of Chinese medicine. In my student days, I might have supported Fang Lizhi's viewpoint. After working in society for over 2 years, however, I think your ideas are more realistic. Besides, the most important thing these days is to build up the Chinese people's self-confidence." I agree with him. I also realize that his ideas are typical of the thinking of a majority of young people in their 30's and 40's who have social experience.

5. This article is a forum where we intellectuals representing a hundred schools of thought argue things out. I do not want the propaganda organ of any political party to quote it out of context in order to attack Mr Fang. If they attack me, I don't care. But if they attack Mr Fang, I would protest strongly.

Dear Professor Fang Lizhi,

I am a 45-year-old Canadian of Chinese descent who has moved to the mainland from Taiwan via the United States and Canada (where I lived for 10 years). I am an associate professor at the School of Architecture of Qinghua University and general manager of "Dadi."

I have had the pleasure of reading some of your comments on public affairs in recent years and very much admire your courage and your willingness to speak up for the people. While I reserve judgment on a number of

your ideas, I still have profound respect for your scholarly qualities of fighting for democracy and the rule of law and for your concern for the country and people. However, I was deeply disappointed after reading the October issues of CHIUSHIH NIENTAI and CHENG MING recently. Let me discuss the following points with you frankly.

Chinese Culture Is Inclusive and Will Not Die Out

1. You said we should let the Chinese culture die out if it cannot catch up with the world, which would be no big deal. The two examples you cited—the Tigris and Euphrates civilization and the Mayan civilization—have been wiped out. First, Chinese culture has survived for over 5,000 years on this planet and flourished in several eras. Although it almost extinguished in the past century, in the end it managed to bounce back from a semi-colony into one of the six most powerful nations in the world. (The European Community is counted as one.) Economically and culturally we are still in the elementary stage, but our present incompetence only means that we should feel ashamed in front of our ancestors. Besides, we are now marching toward the road to recovery with clenched teeth. The Tigris and Euphrates civilization and Mayan civilization did not die out completely. A large part of them has evolved into a new culture. The most salient characteristic of Chinese culture and its people is that they are highly inclusive. Like a large melting pot, it has absorbed, evolved, and been reborn endlessly over the millennia. When I was attending Hsin-chu High School, one of my seniors was Li Yuen-che [2621 6678 0772], who won a Nobel Prize in chemistry. His father was an excellent art teacher and I was one of his pupils. My teacher, Professor Shih Tso-cheng [0670 0155 2906] (who taught both college and high school), is the most prestigious among the younger generation of philosophers in Taiwan who are still living. Among the older generation, the most celebrated has to be Mou Tsung-san [3664 1350 0005]. My late parents made me master the Four Books and Five Classics from a young age. Later, I was further inspired by Master Shih and obtained an insight into the diversity (Confucianism being but one of its more important components) as well as greatness and profundity of Chinese culture. Hence my solid faith in Chinese culture and the Chinese nation. In the 1960's, at a time when Taiwan was embracing wholesale Westernization heart and soul, which is exactly what you are advocating now, Mr Shih Tso-cheng firmly swam against the tide and nurtured hundreds of and even a thousand outstanding students with roots in Chinese culture. In my opinion, Chinese culture is on the threshold of a great revival. It will not die out even if there were 10,000 Fang Lizhis proclaiming the contrary. I suggest that you sit down facing the wall for 5 years during which time you ignore every mundane thing and concentrate on mastering Chinese classics, particularly Shih Tso-cheng's two dozen works (almost reaching his waist if you stack them up), including *Modern Chinese Culture and Modern China* and the recently published 500,000-character *Introduction to Philosophical Anthropology*. Only after

reading these texts would you be minimally qualified to talk about the "demise" of Chinese culture. Otherwise, given your sloppy and irresponsible opinions, any person with some confidence in the nation who is moderately well acquainted with Chinese culture will consider you an unlearned crazy professor.

In a lecture to the Association of Chinese Students in Europe and the United States, Dr Lin Tong-yen [2651 0681 3508], winner of the U.S. Presidential Award, said, "I have designed numerous bridges in my life. The wellspring of my creativity has two sources: modern science and technology and traditional Chinese culture and philosophy." He noted, "In this era of economic construction, there is an acute need in China for large numbers of bridges. To my mind, what is even more important is bridge-building between the power-holders and intellectuals and the common people." What a venerable moving elderly scholar! Let's also take a look at such eminent scientists as Li Cheng-tao [2621 2398 6670] and Yang Chen-ning [2799 2182 1337]. Both of them have a solid grounding in Chinese culture. It is this grounding that has enabled them to stand out and distinguish themselves in modern science and technology after reaching a par with Westerners. It is the superior vitality of their Chinese culture that has propelled them into their breakthrough achievements. What differentiates Chinese culture from other cultures is its wisdom, resilience, and subtlety. (This is discussed in detail in "The Spirit of Chinaman" by Gu Hongming [6581 7703 6900].) The same is true for Li Yuen-che. Among scholars from the mainland from 35 to 55 years of age, why has none of them won a Nobel Prize? This is the dire consequence of the fact that for many years the CPC sought to destroy Chinese culture indiscriminately. Then there are scholars like you who call for wholesale Westernization or Sovietization, thereby thrusting two or three generations into a shallow cultural wasteland which is neither Chinese nor Western.

Opposition to Patriotism Is a Frightening Idea

2. You are opposed to patriotism and mentioned Einstein and yourself in the same breath. Let me say this bluntly. If you are a true intellectual, you should first make yourself smart enough and win a Nobel Prize. Only then could you put yourself on the same plane as Einstein. Moreover, Einstein advocated "world citizenship" back then mainly because there was no Jewish state at the time. He lent the prestige of his name to this kind of talk hoping that his people would get along better with the respective "host countries." Wasn't this love for one's compatriots a kind of patriotism too? After World War II, the state of Israel was founded. Having fully experienced the tragic fate of an enslaved people without a homeland, the Israelis are fiercely patriotic, with men and women joining the military to defend their country. Should Einstein still be talking in that vein in Israel today, he would certainly be severely criticized and may even be considered a lunatic. By quoting Einstein extensively in this day and age, you not only fail to make a

name for yourself comparable to his, but have instead lost our respect for you, surprising us with your lack of sound judgement regarding the spatial and temporal existence of history. All people of Chinese descent both here and overseas who have a little bit of the Chinese soul in them are sorry to see you turning your back on China and Chinese culture, which is a frightening thing. In the process, unfortunately, you have also lost your original youth following, people in their 30's and 40's with some training in Chinese culture. Most of these young people have read many Chinese books; some were born into intellectual families, others were self-educated. People in their 30's are greatly disappointed at you, criticizing you in strong language. Some even say you have traitorous ideas (Personally I would not go so far.) Therefore you should not overestimate yourself. Your talk may charm some young students outside the fields of culture and history. But a majority of people like us who care about China have lost the respect we had for you in the past few years. If you do not believe me, I can ask Fu Si, a young man in his 30's who is a distinguished student of history (he is a cousin of Fu Cong [0265 5115]), to talk to you so that you would know what the public thinks.

After China "Disintegrates," We Would Become "Second-Class Citizens"

3. You said "China is going to disintegrate." Should that happen, are you hoping to be China's Einstein and become a "world citizen"? People on the mainland (especially those who have never traveled overseas) are used to being citizens of a big nation. Go and ask the people in Hong Kong, Taiwan, and Southeast Asia who are often discriminated against and treated as "second-class citizens" by foreigners when they go overseas. Ask them if they want China to break up or perish. Wherever they go in the world today, the Chinese people can hold their heads up high (provided they do not have an inferiority complex.) The main reason is that new China has stood up. (Of course there are other factors: the diligent and law-abiding ways of the Chinese and their academic and professional preeminence. In some countries, after three generations you are judged by what you are and not your country of origins.) It has been over 6 years since I started teaching, designing, and doing things for the peasants in China. During that time, I never drank much. However, in the evening when China and Britain put their signatures on the draft agreement on Hong Kong, I got stone drunk with two friends from Taiwan. Ever since we were small children, we had been told at school all sorts of national humiliations since the Opium War. After over 140 years, this humiliation was finally wiped out. What about you? What were you doing that evening? Writing "On World Citizenship"? The takeover of Hong Kong in 1997 may seem a little premature, given the extent of democratization and the development of the rule of law in China as well as its economic record, the Communist political system, and its ability to run the country, so it is not an unmixed blessing. But my getting drunk was purely a manifestation of patriotism.

Despite minor progress, what we have in the mainland remains basically one-party dictatorship. Then there are problems like bureaucratism, corruption, privilege and, more recently, price increases. These are problems known to everybody at home and abroad. In any case, after weighing the pros and cons, I feel hopeful about the future of this ancient, enormous, and yet youthful nation. It is true that my coming to work in China had nothing to do with politics. I only wanted to help the peasants and design a few good structures freely. But if the nation were really hopeless, I would have returned to Canada years ago. "Do not live in a turbulent state, do not stay in a dangerous country." We must continue to fight for democracy and the rule of law. We must improve the masses' livelihood. Educational spending must be increased. Intellectuals must be treated courteously and paid better wages. All this you and I and millions of other people must fight for endlessly, but absolutely not in the way you mention, by breaking up China, letting China perish, destroying Chinese culture. If ever a day comes in my life when I see that China is really doomed as you say, I would immolate myself at Tian An Men Square as an explanation to my countrymen, family and myself and as a self-punishment and apology for making the mistake of devoting my golden years to China. But I think this day will not come, provided that you will not continue to poison young people with your nihilism and your ideas of national disintegration and cultural extinction.

Dared You Say One Word When Mao Zedong Was Alive?

4. You said in CHENG MING, "Certainly it would be better if Deng Xiaoping retires. I do not want him to die. That would be inhuman. I can't support that. (Laughter)" Coming from you, this kind of talk was really beneath your dignity. Internationally famous scholars, after all, are not vendors and lackeys. Moreover, can Fang Lizhi play god? You want someone to die, and he will die. You let someone live, and he will live. Neither foreign scholars who have never read Chinese books nor the man in the street, whether at home or abroad, would utter such wild talk about an elderly man in his 80's. With Deng Xiaoping in power, you are free to travel from country to country. If Mao Zedong were in power, would you have dared say a single word? Having discarded the basic principles of conducting yourself, how can you still be considered a higher intellectual? Certainly human beings are not perfect. There are some things about Deng Xiaoping that are controversial or even worth criticizing. But I am a Buddhist. After smashing the "gang of four," Deng Xiaoping, Hu Yaobang, and Zhao Ziyang rehabilitated tens of thousands of people, improved the livelihood for hundreds of millions of peasants, and spoken up on behalf of intellectuals. In so doing, they have earned credit for themselves in the nether world. Needless to say, I did not experience in person the many suffering inflicted by the CPC on intellectuals in the mainland. Apart from a little more freedom of speech, things have not gotten much better

for intellectuals substantively. (In particular, educational spending has not gone up much.) Still you should not take it all out on Deng Xiaoping. He made this clarion call at the National Day celebrations marking the 35th anniversary of the founding of the PRC, "Respect knowledge, honor qualified personnel." That alone should have earned him our respect. While Deng Xiaoping's ideas have not been effectively realized so far in the mainland, they have become a fact in Taiwan. That is fine. We are all Chinese; it is alright for Taiwan to teach the mainland in this respect. Besides, the reservoir of talent that Taiwan has built up in the last decade—a batch of extremely well qualified people from 35 to 55 years of age—is best suited to fill the talent gap in China, particularly in the generation from 35 to 45 years of age, the generation lost to the Cultural Revolution. But if China does not make up its mind soon to raise educational spending, treat its junior personnel courteously, and begin by respecting its own intellectuals, which would create a climate, then it would never have any appeal for the surplus qualified personnel in Taiwan. Even if these people do go to the mainland, there would be a barrier between them and their peers and colleagues. The traditional feudalism in the CPC and the pernicious influences of feudalism, bureaucratism, and corruption transplanted from the Soviet Union must be uprooted and eradicated. Still China is like a person who has pulled through after a major illness and has just embarked on the road to recovery. Were we to ask him to enter the 5,000-or 10,000-meter race in the Olympics right away, we would be acting with undue haste. (He would spit blood.) And yet you go even further—you want to put this convalescing person back to the coffin again. No way. To do so, you must first seek permission from those of us in the silent majority. Of course, our criticism of your arrogant and impudent behavior toward an 84-year-old man does not mean that we disapprove of your suggestion that he retire soon. In my opinion, however, after falling from power three times only to stage a big comeback later, Mr Deng has seen everything. All his personnel arrangements these days are calculated to secure his place in history and set an example of not clinging to power all his life. But I believe he is wise enough to decide when to retire. He will learn from the experience of Li Ning [2621 1337], the prince of athletics who made a fool of himself by not getting out while still in peak form, and will not repeat Mao Zedong's "life-tenure" mistake. Right now it seems that he is not running anything. There is nobody to speak up for reform, for opening to the outside world, and for intellectuals. While some people are unhappy, we still must pray that he would live to a ripe old age.

My Patriotism Is Love for the Land, for the People

I have worked in the mainland for over 6 years and have never entered the Mao Zedong Mausoleum. I am opposed to that kind of thing which feeds on the flesh and blood of the people. I have never been to the Chung-cheng Memorial Hall in Taiwan either. But I have saluted at Ci Hu. I am steadfast in this type of

scholarly moral integrity. In the future, I would enter the place and salute if: 1) It is renamed People's Hero Memorial Hall; 2) Mao Zedong's body is removed to the outskirts of Xishan or his native village. There a mausoleum may be built reflecting the heroic deeds of his early years and the special characteristics of his revolution jointly fought with the peasants. (I would go and salute); and 3) A memorial room is built for each of the revolutionary pioneers and founders of the nation including Sun Chung-shan, Deng Xiaoping, Zhou Enlai, Liu Shaoqi, Zhu De, and, in particular, Peng Dehuai. (There is already a Chung-shan Mausoleum, but it is not in the capital. Instead what they do now is putting up his picture facing north on 1 May and 1 October, opposite that of Mao Zedong which faces south, as befitting an emperor's.)

Over the past 6 years and more, I have worked hard to do something for the peasants and the architectural community, knowing very well that what I can do is minuscule. Perhaps aware that I am an admirer of Mr Sun Chung-shan, Central Television aired a special film *Son of Dadi: Peng Peigen* on 10 October. The film also deals with my continuing struggle against all odds. It closes with a poem that I have written myself, one which you think suffers from Einstein's "patriotic infantile disease." But I must declare that what I love is this piece of yellow land and the compatriots on this land who are so full of resilient vitality, not the CPC which has done many bad things and is now turning over a new leaf. (Poem enclosed.)

University students today lack a background in Chinese culture, another dire consequence of communist education. Everybody in the nation from the top down is engaged in a power struggle. In addition, there are your poisonous ideas of nihilism, national disintegration, and cultural extinction. "When everybody from the leadership to the common people is concerned only with his own interests, the country is in peril." I support you in encouraging students to fight for democracy, the rule of law, education, and better pay for intellectuals so that conscientious people will inherit what is good in traditional culture and absorb from the West all that is good about their science and technology and political and economic institutions. Hopefully, after learning the strengths of the West, Chinese culture will be reborn in the melting pot and contribute once more to world culture, improving the lives of modern Chinese who have suffered so much for so many years and creating a new era of cultural splendor.

With regards,

Yours respectfully,

Peng Peigen. 19 Octobe: 1988

Poem enclosed—The Wish of a Man Residing in a Place Far from Home (Dedicated to all compatriots on the yellow soil who have given their blood, sweat and tears to build New China)

Last night I had a dream, I dreamed I was galloping on horseback across the vast motherland. When I woke up, my eyes were full of joyful tears. Sadly I recall the surging yellow sand of Gobi Desert, the billowing blue waves of Dongting Hu. I gritted my teeth, fighting back tears of homesickness. I roused myself, shaking my weather-beaten bones heavy with concern for the country. I made this wish, that as long as I am alive, let my blood and sweat sprinkle all over the sweet-smelling soil of the motherland; that I would live to see a new Chinese heyday more glorious than the Han, Tang, Song, and Yuan Dynasties; that when I die, I would be buried in a remote desolate border area; that my soul would protect this beautiful land; that my spirit would travel from Changbaishan to Qinghai.

Intellectual Issue Viewed

Treatment of Intellectuals Discussed

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[Article by Tong Yuanshi 4547 3293 6524, of the Economics Institute, Shanghai Branch of the Chinese Academy of Social Sciences: "The 'Inverted' Status of Mental and Physical Workers and Ways To Solve the Problem"]

[Text] The income gap between mental workers and physical workers is a major problem in social income distribution. At present, the phenomenon that mental workers as a whole are lower paid than physical workers, or the phenomenon of "inverted" pay standards for mental and physical workers, has become a focus of public discussions in China. The following is the writer's view on the "inverted" status of mental and physical workers and how the problem should be solved.

I

It should be recognized that since the 3d plenary session of the 11th CPC Committee, the party and government have indeed done a great deal of work in implementing policies on intellectuals, and that much progress has been made in improving the intellectuals' social status, working conditions, and income and living standard. However, it should also be recognized that the long-standing problem of low income for intellectuals remains unsolved. In the past few years, because the reform of the scientific, educational, cultural, and public health management systems has lagged behind the reform of the enterprise management system, the income of mental workers has not increased as much as the income of physical workers. As a result, the income gap between mental workers and physical workers has widened, and the phenomenon of "inverted" pay standards for mental and physical workers has become even more obvious.

According to a sampling of 10,000 people by a concerned department in Shanghai in 1986, the average monthly pay for specialized technical personnel was 109.33 yuan, as compared with 132.72 yuan for the city's workers and staff members as a whole. The average monthly pay of specialized technical workers was 23.39 yuan below the general level. No wonder people say, "those building guided missiles are not as well paid as those selling tea-boiled eggs"; "those working with scalpels are not as well paid as those working with razors"; "professors are not making as much as hotel service personnel"; "college graduates are not making as much as housekeepers"; and so on and so forth.

The "inverted" pay standards for mental and physical workers are no doubt an extremely irrational phenomenon. Mental workers are engaged in complex labor, which is many times more difficult than simple labor. As Marx pointed out, "A higher and more complex form of labor, as compared with average social labor, is performed by a different kind of work force. This work force costs more to educate than ordinary laborers. Its production takes longer and is of greater value. Since this work force is of greater value, it manifests itself as a higher form of labor and turns out a greater amount of material value in the same period of time." Exactly because complex labor provides a greater amount of work and creates more results than simple labor in the same length of time, complex labor should be paid more than simple labor according to the principle of "equal pay for equal work." It is in keeping with the theory of labor value and the theory of distribution according to work. And, the "inverted" pay standards for mental and physical workers, a fact of life in China, are directly opposite to these basic theories of Marxist political economy.

Moreover, the "inverted" pay standards for mental and physical workers are a glaring manifestation of the unfair distribution in China, and they have already led to a series of grave social consequences. For example, a considerable number of intellectuals feel unhappy and lack enthusiasm because their value is not recognized by society; the vast numbers of middle-aged intellectuals shoulder heavy family burdens and work loads, but are paid low wages, many are in poor health, and some have become senile prematurely or died young; specialists are going abroad one after another, and students who have completed their studies in foreign countries do not return; and the fallacy that "studying is no use" is again gaining ground, and there is a growing weariness toward learning among college and middle-school students. All this is inherently caused by the phenomenon of "inverted" status of mental and physical workers. No wonder many intelligent people have warned repeatedly that the "inversion" of the status of mental and physical workers will lead to endless troubles for the future. As everyone knows, the socialist modernization drive urgently needs a large number of intellectuals and must bring their role into full play, but the "inverted" pay levels of mental and physical workers are doing exactly the opposite. If things go on like this, the great goals of the four modernizations will be hard to achieve.

Thus it can be seen that the "inversion" of pay standards for mental and physical workers is theoretically contrary to the Marxist theory of laborvalue and theory of distribution according to work and is detrimental to the socialist modernization drive in practice. It is a problem that must be solved.

II

Although the problem of "inverted" pay standards for mental and physical workers is urgently in need of solutions, solutions are not easy to come by. Otherwise, why has the problem remained unsolved year after year, despite repeated calls for solutions? The problem is really very difficult to solve. I think there are three major difficulties in solving the problem.

First, the state does not have the financial means to increase the wages of mental workers by any significant degree all at once. According to statistics by a department concerned, there were a total of 15.4 million specialized technical personnel in various fields in China in 1986, about 5 million of them working in enterprises, 9 million in public institutions, and 1 million in government organizations. Except for those working in enterprises, whose wages are dispensed as part of the enterprises' operating costs, the remaining 10 million technical personnel are paid by the government. As there has been a deficit in state finances for years running, it is understandable that the state can hardly do much more to raise the wage standards for intellectuals at present.

Second, under the traditional, highly centralized wage control system, enterprises, institutions, and government organizations all eat from the same big pot of the state, and there is a powerful wage rivalry mechanism between enterprise workers and those working for public institutions and government organizations. It is very difficult for the state to increase the wages of the employees of public institutions and government organizations alone, as any such attempt will probably end up with a general wage increase for everyone including enterprise workers. Like the "repeated price spirals and unreasonably big price gaps" in price reform, the pay increases made by government organizations and public institutions are each time matched by enterprises and vice versa. As a result, the overall pay scale has been pushed up, but the problem of "inverted" pay standards for mental and physical workers has remained unchanged, or even worsened.

Third, a scientific pay system, which reflects not only the difference between mental and physical labor but the different types and levels of mental labor itself, is nonexistent. Under the circumstances, even if there is money, and even if there is no pressure of rivalry, it will be very difficult to use the money properly and achieve good results.

These difficulties are objective realities, but they are not insoluble. The key lies in increasing our understanding of

the importance and urgency in solving the problem of the "inverted" pay standards for mental and physical workers and our consciousness in implementing the party's policy of respect for knowledge and talents. As early as in 1982, Comrade Chen Yun pointed out in a letter to the standing committee of the Political Bureau of the CPC Central Committee: The improvement of treatment and living standard of middle-aged intellectuals is "a major problem of the state, which calls for us to make a determined effort to find a solution in 2 years' time, as it can no longer wait to be handled in the usual, unhurried manner." The middle-aged intellectuals are "the backbone elements on all fronts" and "the most valuable asset of any industrialized country." "The improvement of their working conditions should be regarded as a matter of capital construction, a basic type of capital construction." "Like using the best steel to make the knife's edge, it pays to spend our money on the middle-aged intellectuals."² How profound and well-said these words are. If we all have this kind of understanding, there will be no difficulty that cannot be overcome.

Therefore, to solve the problem of "inverted" pay standards for mental and physical workers, we must first of all increase our understanding and change our way of thinking. Otherwise, we will not be able to overcome the difficulties and make progress, and the pay standards for mental and physical workers will probably remain "inverted" as they are today for years to come.

III

As mentioned previously, increasing our understanding and changing our way of thinking are a precondition for solving the problem of "inverted" pay standards for mental and physical workers. However, it does not mean that once we have this precondition, the problem can be readily solved. To solve the problem step by step, we still must proceed from actual conditions and earnestly study and adopt appropriate policies and measures. I think that to solve the problem of "inverted" pay standards for mental and physical workers step by step, it is necessary to adopt flexible policies, reform the wage system, and provide state financial support at the same time.

First, it is necessary to adopt flexible policies. By flexible policies I mean that the state should readjust the policies toward the scientific, educational, cultural, and public health institutions and the specialized technical personnel to relax control over these institutions and technical personnel and allow them to properly increase their earnings while making more contributions to society. Specifically the policies should allow and encourage these institutions to use their specialties to develop many forms of paid social services with proper guidance and use the money earned to develop their own work and improve the treatment of their employees. At the same time, the policies should also allow and encourage the technical personnel to move into fields where qualified

people are urgently needed and boost their income legally by doing contract work, handling projects, taking a part-time job, working on their own time, and so forth. Practice has shown that this is a practical and effective way to improve the treatment of a part of the intellectuals. In Hebei Province, some 50,000 scientists and technicians have contracted for the development and popularization of 200 new technologies, which have created 1.02 billion yuan in economic returns in the past 2 years. A project in Xingtai Prefecture alone has paid seven scientists and technicians 120,000 yuan in remunerations. By adopting flexible policies, it is possible not only to reduce the state's financial burden and the resistance caused by wage rivalry, but to link improvement of pay standards for the intellectuals with efforts to speed up economic construction and work in other fields and the reform of the scientific, technological, cultural, and public health management systems with profound significance. Naturally, owing to our lack of experience and imperfect procedures, we may be troubled by some side effects in the process of adopting flexible policies and relaxing controls. For example, normal work order and the quality of one's own work can be affected; and unequal opportunities may result in excessive income gaps. These are not at all surprising. With appropriate measures and careful handling, we can achieve our goals despite the side effects.

Second, it is necessary to reform the wage system. This is the fundamental way to solve the problem of "inverted" pay standards for mental and physical workers. In the past decade, China's wage system has taken on some initial changes. However, the present wage system, particularly of government organizations and public institutions, not only is no help to solving the "inverted" pay standards for mental and physical workers, but is itself a major cause of the problem. Therefore, to solve the problem, it is imperative to further reform the wage system. We should think about reform basically along the following lines: 1). On the basis of separating the wage system of enterprises from the wage system of government organizations and public institutions, we should go further and separate the wage system of government organizations from that of public institutions. The practice of making the wage system of government organizations the "official standard," which is followed by all public institutions, must be changed completely. Three different wage scales should be established respectively for enterprises, public institutions, and government organizations, based on the different characters and functions of each group. 2). The wages paid by an enterprise should be determined by its economic performance, and the individual worker's pay should be determined by the enterprise's performance as well as the individual's work and contribution. The internal distribution system, forms, and procedures of an enterprise should be determined completely and independently by the enterprise itself. The wages of specialized technical personnel in an enterprise should also fluctuate with the enterprise's economic performance and their own work performance and contributions, and

a reasonable gap should be maintained between their wages and the wages of first-line production workers. 3). The public institutions belong to different scientific, educational, cultural, and public health departments with different work and tasks. Each department should have its own job structure and pay scale, based on its own professional characteristics. There is no need for the different departments to seek uniformity and copy each other's wage system. To help solve the problem of "inverted" pay standards for mental and physical workers, the public institutions should restructure their wage system, raise the starting wages for college graduates and various types of professional jobs and the top wages for professional jobs, widen the differences between pay grades, and establish a regular evaluation and promotion system. 4). With the establishment of a new public service system, a corresponding new wage system should be set up for government employees. Government employees should be honest and dedicated to public service, but, like the workers of enterprises and institutions, they too should be paid according to the principle of distribution according to work to maintain a suitable and reasonable standard of living. The wage system for public servants should be a job-grade pay system characterized by more pay grades, smaller differences between pay grades, and more frequent grade promotions. In other words, government employees should be divided into a number of job categories; each job category should be divided into a number of pay grades; the differences between pay grades should not be too big; and employees should be given periodical grade promotions and pay raises.

Third, it is necessary to have state financial support. State financial support will always be necessary. It is because, even though adopting flexible policies is an effective way to improve the treatment of intellectuals, the effectiveness of these policies is limited after all, as there are a considerable number of intellectuals, such as scientists engaged in basic theoretical research, middle and primary school teachers, state personnel, and so forth, who cannot benefit from these policies and must rely on state financial support. Also, the wages of employees of government organizations and public institutions are, by their source, part of the redistribution of national income. Without state financial support, it is impossible to reform the wage system and substantially raise the pay standards for intellectuals.

So, is it possible to solve the problem? I think that it is not only possible with increased financial resources, but possible even with the financial resource now available. How many office buildings, auditoriums, and hotels have been built in the country in the past few years? How much money have they cost? According to statistics, the 405 projects included in the check-up list alone involve a total investment of 21.5 billion yuan. How much public funds are spent nationwide on eating, drinking, gifts, pleasure trips, luxury cars, and expensive consumer goods? According to statistics, institutional consumption

alone amounted to 55.3 billion yuan in 1987, and at least a similar amount was spent but not accounted for. With the "bureaucratic racketeers" and "private racketeers" running wild all over the country, how much of the people's money has gone into their pockets? Too bad no statistics is available. So, if fewer office buildings, auditoriums, and hotels are built; if institutional buying can be curtailed somewhat; and if the activities of the "bureaucratic racketeers" and "private racketeers" are brought under stricter control; a very large sum of money can certainly be saved. If a very small part of this money is used to support the wage readjustment and wage reform of government organizations and public institutions, the treatment of intellectuals and the "inverted" pay standards for mental and physical workers will be improved greatly.

Revaluation of Intellectuals' Contribution Emphasized

40050175 Beijing JINGJI RIBAO in Chinese
3 Dec 88 p 2

[Article by Li Guangyao 2621 0342 5069, Xu Shiqin 1776 0013 2953, and Shang Zhixiao 0794 1807 2556: "A Revaluation of Intellectual Labor"]

[Text] At present, to effectively solve the problem of "inverted" pay standards for mental and physical labor, attention should be paid to guiding the people in correctly understanding the social role and the significance of the intellectuals' work, in addition to making necessary policy readjustments.

First of all, we should understand that as mental or intellectual labor, the intellectuals' work has its special characteristics. The first is its complexity. It is complex labor, which requires a fairly long period of special training and specialized knowledge to perform. To acquire the ability to do this kind of work, one has to invest a great deal of money and time, and to keep this ability, one has to receive continued education and constantly add to and update one's knowledge, particularly at the present time when knowledge is being updated faster than ever before. It is different from simple labor, which requires only 1 or 2 years, even a few months, of training to begin producing. The second is its creativeness. The products of this kind of work are mainly in the form of knowledge. The production of knowledge is not a repetitive process, but one of updating and development. The intellectuals' work is not repetitive labor, not simple duplication or reproduction of a certain labor product, but to constantly produce new results and discover new things. The third is its difficulty. The intellectuals' work is not only difficult to

learn, but difficult to do. An invention and the result of a research project often are not the work of a single day, but require determination and dedication on the part of the mental workers.

Secondly, the intellectuals' work should not be measured simply in terms of the material and solid result produced, but should be measured by a scientific and comprehensive standard. Man's labor exists in three forms. The first form is potential, that is, a worker's ability. The second form is motion, that is, work in progress. The third form is material, that is, the material and solid result produced from work. The three is combined into a comprehensive standard for measuring all kinds of work. In the past, we often overemphasized the material results in measuring a person's contributions in work. This, to a certain extent, belittled the intellectuals' work. On the one hand, although the research projects of some intellectuals, particularly difficult projects in basic science and high technology research which take a long time to complete, cannot produce material and solid results in a certain process or period of time, it is not right to deny their significance in scientific exploration and the pursuit of truth. On the other hand, materialized labor does not necessarily mean real things. Intellectual creations and scientific discoveries are materialized labor, even though they are results which belong in the knowledge category. For example, a teacher's labor materializes through the training of others, and its value cannot be denied because it does not turn out concrete and tangible products. Therefore, in measuring the intellectuals' work, all the three forms should be taken into consideration.

Finally, our concept of wealth and the creation of wealth must be updated. During the period dominated by the leftist line, people had a lopsided, narrow understanding of wealth. It seemed that so long as we had grain and steel, we did not need knowledge and science. Workers and peasants became the only producers of wealth. Intellectuals were excluded from the ranks of wealth producers and even regarded as nonlaborers and "parasites." Therefore, they were asked to integrate themselves with the working people, and were made the objects to be reformed. In fact, knowledge and science are the most valuable of all wealth, and the intellectuals' labor is the most creative of all labor. This kind of labor and its results can turn into tremendous productive forces to propel the entire society forward. Footnotes

1. *Das Kapital*, Vol 1, p 58.

2. "Selected Documents on the Issue of Intellectuals," People's Publishing House, 1983 edition, pp 174-175.

NORTHWEST REGION

Temporary Regulations on Usage of Nationalities Languages

40050231b Urumqi XINJIANG RIBAO in Chinese
31 Dec 88 p 2

[Article: "Temporary Regulations on the Usage of Nationalities Languages"]

[Text] Decree of the People's Government of the Xinjiang-Uygur Autonomous Region, No 3

"Temporary Regulations on the Usage of Nationalities Languages" approved by the Thirty-fourth Standing Committee of the Seventh People's Government of the Autonomous Region on 1 December 1988 is now in effect.

Chairman: Tiemuer Dawamaiti [6993 2606 1422 6671 3907 6314 2251] 23 December 1988

Chapter One: General Principles Article 1: These temporary regulations have been formulated on the basis of the constitution and the relevant regulations of minority region autonomous laws to promote the development and prosperity of nationality languages and to raise the scientific and educational level of minority peoples

Article 2: Upholding the principle of the equality of nationalities languages, the right of nationalities to use and develop their own languages is guaranteed so that nationalities languages will serve the consolidation and development of socialist nationalities relations which are equal, unified and of mutual assistance and promote the building of socialist material and spiritual culture.

Article 3: In nationalities languages work, the use and governance of existing nationalities scripts should be improved.

For nationalities which do not have scripts or scripts in general use, the language question should be researched and resolved on the basis of principles which are beneficial to nationality development, prosperity and voluntary, free choice according to relevant state regulations and procedures.

Article 4: In the conduct of public affairs, government agencies and people's organizations at all levels should simultaneously use both the Uygur and Chinese languages in the autonomous region; in autonomous zhou and xian they should simultaneously use the language of the district autonomous nationality and Chinese. Autonomous region and autonomous zhou and xian may, as needed, also use other local nationalities languages.

Article 5: Agencies for improving nationalities languages and a corps for stabilizing and building nationalities languages work should be established, are guaranteed the necessary expenses for nationalities languages work, and should investigate language work and promptly resolve existing problems.

Article 6: The Autonomous Region Nationalities Languages Work Committee is in charge of the nationalities languages work of the entire region.

The autonomous region should establish agencies for improving nationalities languages. Autonomous xian, districts, cities and other xian [cities] may also, as needed, establish nationalities languages work agencies or direct relevant departments to also manage this work.

Chapter Two: The Use and Governance of Minority Languages

Article 7: All seals, doorplates, certificates, bills, forms, posters, announcement, playbills, propaganda boards, and envelopes and stationery printed with the name of a unit must be in both nationality language and Chinese.

Article 8: Depending on the audience, meetings convened by agencies, organizations and units should use one or several languages and arrange for translation. Speeches presented at congresses or other important meetings must use both nationalities languages and Chinese; meeting documents and materials must have both nationalities languages and Chinese texts. The materials of meetings convened by enterprise units and some specialized technical meetings also should use nationalities languages and Chinese.

Article 9: Public documents, instructional materials and propaganda printed by agencies, organizations and units should be written in nationalities languages and Chinese or the script in general use locally.

Article 10: Labels and instructions for goods produced in the region, lists of services of service industry, commodity names and price tags all should be in both nationalities languages and Chinese.

Article 11: Agencies at all levels and enterprise personnel units should use both nationality language and Chinese in enrolling students, recruiting workers, recruiting cadres and in technical assessment, promotion, and evaluating occupational titles. The examiner or the participant may select any of the languages.

Article 12: Names, boundary markers, road signs, traffic signs, and automobile licenses and everything in a city or town which must be written in both nationalities languages and Chinese.

Article 13: When answering correspondence or entertaining a visitor from a minority nationality, agencies at all levels should use a language understood by the letter-writer or visitor.

Article 14: Nationalities elementary and middle school education should be conducted and nationalities higher education and correspondence, radio and television education should be developed using minority nationalities

languages; writing, translation and publishing of minority nationalities teaching materials and pedagogical reference materials should be improved.

Article 15: Minority nationalities languages newspapers should be operated and minority nationalities languages periodicals and books whose primary content increases general scientific and technical and language knowledge should be increased.

Article 16: Editing and publication of minority nationalities languages books, the writing and publishing of minority nationalities languages dictionaries and other reference books suited to different purposes should be increased, the kinds of minority nationalities languages reading materials for young people should be increased, and the types and scope of books in minority nationalities languages should be gradually increased and expanded.

Article 17: Bookstores and post offices should improve distribution of minority nationalities languages teaching materials, periodicals and books and the delivery of letters and postal materials.

Article 18: Minority nationality scientists and technicians and literature and art workers are encouraged to use the language of their nationality or use other nationalities languages in scientific research and invention, writing scientific research papers and reports, and in artistic creation and performance.

Broadcasting and television should be done in minority nationalities languages and programs in minority nationalities languages should be increased.

The shooting of motion pictures minority nationalities languages and television films and the dubbing of motion pictures and television into minority nationalities languages should be increased.

Article 19: After restoring Uygur and Kazak writing systems in Arabic script, the Uygur and Kazak writing systems created using Latin script should still be retained and used as phonetic symbols and research should continue.

Article 20: At the same time, the autonomous region should improve Chinese language work, vigorously promote and actively popularize the Chinese standard language used nation-wide, further expand the "Chinese Spelling System," improve management of written Chinese usage, correct overuse of traditional Chinese characters and random creation of simplified characters, and conscientiously put into effect nationally published language standards and norms.

Chapter Three: Scientific Research and Standardization of Nationalities Languages

Article 21: Standardization of nationalities languages should be carried out. As needed, autonomous region departments in charge of nationalities languages will formulate and make public provisions and regulations relevant to standardizing the languages and arrange for their implementation.

The correct method of writing, the correct pronunciation, terminology, and the personal names and place names which are examined, revised, and published in the newspapers by the relevant autonomous region department in charge must be complied with and used by agencies, mass organizations, and enterprise units at all levels.

Article 22: Scientific research on nationalities languages should be improved and the standardization, normativization and healthy development of nationalities languages promoted.

Language research should stress basic research, applied research and research on standardization and regularization of minority nationalities languages.

Article 23: Among the Uygur masses, with the central dialect as the foundation, the language of Urumqi will be promoted and popularized as the standard pronunciation of Uygur. Newspapers, broadcasting, television, publishing, educational, and propaganda departments should take the lead in using it and vigorously promote it. Where there are other nationalities, that nationality's standard language should also gradually be promoted and popularized.

Among the Mongol masses, the Mongolian of Hudumeng, which is in common use among Mongolians nationwide, should be gradually promoted.

Article 24: Cooperation and scholarly exchanges of domestic and foreign linguistic circles should be improved, and as needed, domestic and foreign linguistic specialists and scholars should be invited to our region to hold posts and lecture; language workers from our region should be selected and sent to other provinces, autonomous regions, municipalities directly subordinate to the central government or abroad for advanced study and observation.

Chapter Four: "Bilingualism" and Translation

Article 25: Cadres of different nationalities are advised and encouraged to study each other's language and strive to know both nationalities languages and Chinese. Han Chinese cadres should study the language of the local minority nationality, and minority nationality cadres, while studying the local nationalities languages, should also study standard spoken Chinese and the Chinese writing system which is in common use nationwide.

Article 26: Translation of books in minority nationalities languages into Chinese should be improved so as to provide information at home and abroad about the politics, economy, culture and history of our region's minority nationalities.

Article 27: Agencies at all levels must improve nationalities languages translation work, establish sound working structures, train "bilingual" talent, and stabilize translation and nationalities languages work corps.

Article 28: State agencies above the xian level should establish translation organizations; enterprise units in which there are many minority nationality employees, urban neighborhoods where many nationalities live together, and rural areas and towns should also, as needed, assign nationalities languages translators.

Article 29: Training bases should be established for training translator and "bilingual" talent at many levels, many channels, and many forms and constantly improve the quality of current translators and nationalities languages workers. Nationalities language work departments and institutions of higher learning should cooperate closely and conduct translator training classes in concert.

Article 30: Nationalities language translators are specialized technical personnel and in line with state regulations should enjoy the salary of specialized technical personnel.

Article 31: In promotion in grade or post work, all things being equal, priority consideration should be given to "bilingual" personnel.

Article 32: Elementary and middle schools that use minority nationality language for instruction, must establish Chinese language classes, arrange for teaching Chinese language so that upper middle school graduates can know both nationality and Chinese languages.

Article 33: Minority nationality students who voluntarily enroll in a school (or class) in which Chinese is the language of instruction and Han Chinese students who voluntarily enroll in a school (or class) in which minority nationalities languages are the language of instruction should be encouraged and supported.

Article 34: State workers in people's governments at any level who can master and use two or more languages in common locally should be commended and rewarded.

Units and individuals of people's governments at any level above the xian level which are models of implementing these regulations, have outstanding achievements and clear accomplishments should be commended and rewarded, units and individuals who are not implementing or are violating these regulations should be criticized and educated or given administrative punishment.

Chapter Five: Supplementary Articles

Article 35: The Autonomous Region Nationalities Language Work Committee is responsible for interpretation of these regulations and for formulating the details of their implementation.

Article 36: These temporary regulations become effective as of the date of issuance.

Comprehensive History of China Published in Uygur

40050231a Urumqi XINJIANG RIBAO in Chinese
11 Dec 88 p 4

[Article by Wang Enmao 3769 1869 5399: "Preface to Uygur Edition of *Comprehensive History of China*"]

[Text] With the help of a large number of historical materials and a wealth of historical illustrations, the *Comprehensive History of China* (13 volumes) systematically narrates China's 5,000 year history. Through the efforts of translators, this book has been translated in Uygur so that readers can increase their historical knowledge, understand the developmental laws of social history, and increase patriotic thinking.

China is a country which unifies many nationalities and just as with other things, also had the processes of formation, growth, and consolidation. The era in which China went from a primitive clan society to a slave-owning society was a process of protracted historical development. By the "Spring and Autumn Period," the transition from an slave-owning to a feudal system was completed. During the period when Qin Shi Huang was on the throne (246 BC - 201 BC), he unified the six kingdoms of Han, Wei, Chu, Zhao, Yan, and Qi and other minority nationality regions into the first multinationality feudal centralized system in China's history, ended feudal separatist rule and achieved a situation of "great unity." To consolidate this unity, Qin Shi Huang adopted a series of measures in the political, economic, military, and cultural spheres. First was the abolition of the feudal system and the establishment of the system of prefectures and counties in order to eliminate the reappearance of feudal separatism; second was the strengthening of the feudal centralized system, combining the traditional terms for emperor "huang" and "di" into the one term "huangdi"; the prefectural- and xian-level officials were appointed by the emperor and the hereditary system of dukes, princes, and senior officials was abolished; third was the establishment of the feudal system of private land ownership and the payment of taxes according to a fixed system; fourth was the unification of laws, the writing system, weights and measures, and currency. When the Han Dynasty ruled the entire country, basically "the Han accepted the Qin systems" so that the Qin centralized system of unifying many nationalities was consolidated and developed.

After the Qin and the Han dynasties, the economy of the feudal system grew a great deal and its domain also expanded daily. At a time when the Middle Ages of Europe was still called the "Dark Ages," the development of China's economy and culture was in a leading place in the world. For example, the four great inventions of paper-making, printing, gunpowder, and the compass were created by the labor and wisdom of China's nationalities and played a major role in the development of world history. As concerns the domain, in the second year of the Shenjue reign period of Han Xuandi (60 BC), Xinjiang was unified with the ancestral country. The Tang Dynasty was a golden age of China. Extremely close political and economic relations were established with Tibet. After the Yuan Dynasty replaced the Song Dynasty, Taiwan and Tibet formally became territory of the ancestral country. The Qing Dynasty founded by the Manchus was China's last feudal dynasty and it achieved unprecedented unity of the entire country establishing the China's historical domain.

All the nationalities of China made their own appropriate contributions in government, economy, military affairs, culture, and science to the creation of our unified multinational country. The Han Chinese are our main ethnic group. They were in an advanced position in many areas and played a leading role in creating this unified multinational country of ours. However, the minority nationalities of Xinjiang and the minority nationalities of other regions of China also made similarly great contributions in creating this unified multinational country of ours and they naturally enjoy their position as members of China's nationalities and masters of history. Just in terms of the minorities of Xinjiang, they have produced many statesmen, military leaders, scientists, historians, linguists, writers, and artists. Their contributions in history have benefited the development of the Chinese people, especially in supporting the unity of the ancestral country, and their contributions have also been praised by nationality peoples over time. Such statesmen and military leaders as the "officially conferred" Prince during the two-Han Period, Prince Guici of Emperor Xuan's Han Dynasty, Ao Bi He Li [2407 5396 0149 0500], A Shi Na She Er [7093 0670 6719 4357 1422] and Wei Chi Sheng [1414 6688 0524] of Tang Dynasty performed immortal feats in upholding the unity of China. After the outbreak of the "An Lu-shan Rebellion," which took place in the fourteenth year of the Emperor Xuanzong period of Tang Dynasty and which shook the foundation of the Tang Dynasty, these military leaders all helped lead major armies to put down the rebellion for the Tang Dynasty. The victory in this battle to unify the ancestral land won the support of all nationalities and the praise of

the great poet Du Fu. The above historical facts show that in creating this unified, multinational country, the minority nationalities and the Han Chinese were inseparable, and each played their own appropriate role in history and made their own great contribution.

In the development of our unified multinational country there have been many twists and turns. In the history of a class society, for their own benefit the exploitative class either waged war within the clique of their nationality's ruling class or incited war between the ruling class of this or that nationality. As a result, divisions appeared repeatedly in the unified multinational country, such as the tripartite balance of forces between the three kingdoms of Wei, Shu, and Wu, the Sixteen Kingdoms of Eastern Jin, the Northern and Southern Dynasties, and the Five Dynasties and Ten Kingdoms during the periods of the most serious splits in China's history. However, in terms of overall history, although repeated divisions appeared in all dynasties, unity was the mainstream of a historical development and the divisions were only temporary phenomena. The Qin, Han, Western Jin, Sui, Tang, Yuan, Ming, and Qing were all unified dynasties. In the period of unity of the entire country, the Han Chinese ruled the other minority nationalities, for example, the Qin, Han, Sui, Tang, and Ming dynasties; some minority nationalities also have ruled the Han Chinese, such as the Yuan Dynasty and the Qing Dynasty. Comparatively speaking, the Han Chinese ruled longer. Whatever nationality ruled the entire country, it could not resist the mainstream historical characteristic of unity. This is because unity conforms to the wishes of the nationalities of the country and conforms to the objective laws of historical development. In the more than 2000 years since the founding of the unified multinationality country, the Chinese people have opposed division and supported the glorious patriotic tradition of the unity of the motherland. Therefore, although there have been repeated divisions in history, ultimately they always return to unity.

In China's history, heroic and moving historical figures have constantly emerged to uphold the unity of the motherland and the unity of nationalities; among them there are minority nationalities as well as Han Chinese. Their contributions to history are respected by all nationalities, their names have gone down in history and their merits will never die out. This is because the unity of the motherland and of the nationalities is beneficial to development of productive forces and to social progress. It is our main objective to judge correctly whether productive forces are restricted or developed and whether society progresses or retreats.

21 July 1988

Shen Chun-shan on KMT's Mainland Policy
40050211 Hong Kong *CHIUSHIH NIENTAI* [THE
NINETIES] in Chinese No 228, 1 Jan 89 pp 44-47

Article by Li Yi 2621 1837: "Shen Chun-shan Comments on the Mainland Policy—Decision, Contradiction, Progress, and Objective"]

[Exerpts] [Passage omitted] I have known Shen Chun-shan for many years, and this journal has interviewed him on more than one occasion. But the 12 December interview in Taipei is different because several months earlier, he was inducted into the cabinet. Since then, he has become an administrative committee member of the Executive Yuan, a rank equivalent to that of a cabinet minister.

But Shen Chun-shan is still his old natural self, and speaks with the same fervor and assurance, without a trace of bureaucratic tone. On the sensitive subject of the mainland policy, he is perhaps the only senior party and government official in Taiwan who can speak his mind. Of course, he has made clear beforehand that he is not in charge of mainland policies in the Executive Yuan (he does not even know who is in charge) and therefore he cannot speak for the government. Nevertheless, his personal identity includes that of a cabinet member. In other words, he understands the government's position, the principle on which decisions are based, and the channel by which decisions are made. He has also said that mainland policy is his hobby. As we all know, he is not bad at his hobbies, like his Go game and Bridge. [passage omitted]

The organ within the Executive Yuan in charge of mainland policies is the "Conference on Mainland Work." It is an assembly of the heads of all departments and conferences that have anything to do with the mainland. Today, in theory, Taiwan still maintains a system of "government by the party." That is, the party makes the policy decisions, and the departments in the Executive Yuan carry out those policies. Since just about every department has something to do with the mainland policy, whenever there is a problem with implementation, everybody will get together for discussions. Because these discussions must be based on the party's decisions, they are purely exploratory and no major breakthroughs are expected.

Then, how does the party render its decisions on which the Executive Yuan's Mainland Work Conference must rely?

Shen Chun-shan takes out a "little black book" which has the words "Chinese Kuomintang Party Platform" and "KMT's Mainland Policy at the Present Stage" on the cover. He holds up this "little black book" and says "KMT's Mainland Policy at the Present Stage" is the guiding principle of all decisions, and he calls attention to the words "present stage." The Party Platform pertains to the 13th and 14th Party Congress, and the

"Mainland Policy at the Present Stage" is transitory. It is only because the document is in black and white that it has become the basis of the Executive Yuan's tasks.

Besides the "little black book," there are two other decision-making channels. One is the "the chairman's delegated tasks," and the other is decision based on the suggestion of the Guiding Group on Mainland Work and ratified by the central standing committee. These two channels are outside of the "Mainland Policy at the Present Stage" channel. For instance, the relative-visitation policy was one of "Chairman Chiang's delegated tasks." The participation in the Annual State Science Meeting in Beijing was one of "Chairman Li's delegated tasks." The recent decision to allow mainland students to come to Taiwan was suggested by the Guiding Group (Ma Shu-li [7456 2885 4409] is the convener) and ratified by the central standing committee. There are quite a few "big brothers" in the Guiding Group, and they tend to be very careful when weighing issues.

The Executive Yuan's "Mainland Work Conference" implements the decisions rendered by the above three channels; therefore it is not a leading organ. Deputy chief of the Executive Yuan, Shi Ji-yang [2457 0796 2257] is the convener and Ma Ying-jiu [7456 5391 0046] is the executive secretary.

The aforementioned basically is the primary decision-making organs, administrative departments, and persons in charge of Taiwan's mainland policy.

Taiwan's mainland policy is often contradictory. Why?

In Shen Chun-shan's opinion, the internal contradiction in the promulgation of mainland policies basically stems from the dilemma that Taiwan can neither accept unification with the Chinese Communist nor declare independence.

In 1987, Chiang Ching-kuo lifted the martial law and liberalized rules to allow visits with relatives. They were efforts to reconcile the contradictions; there was a reason behind those moves. If he only had lifted the martial law, he would have had to face a general election in parliament, which certainly would have been followed by a constitutional amendment to guarantee that the power of the chief executive would originate in Taiwan. This would be equivalent to giving up the sovereign rights over the mainland. If the course of democratic constitution had not been accompanied the policy of opening up for visitations and communications with the mainland, Taiwan would have moved toward independence. On the other hand, if the policy allowed only visitations and communications and did not put the internal structure in order, if it did not plant its roots in Taiwan's native jurisdiction, without the backing of public opinion, inevitably, at some point, as a result of administrative interventions, we would find ourselves in a form of

unification favored by Communist China. Only by establishing democracy can we ensure the separation of sovereignty and government in our future relationship with Mainland China.

Does democratic development necessarily lead to the surrender of sovereign rights over the mainland?

Shen Chun-shen says, from now on, anybody who hopes to have power in Taiwan must have a power base in Taiwan, and this power base can be given only by the Taiwan people. After the new parliamentary election, a constitutional amendment will be inevitable; at least, the constitution will be declared valid only in Taiwan, and naturally, this implies an indirect declaration of giving up the sovereign rights over the mainland.

Does giving up the sovereign rights over the mainland imply giving up on China's unification?

At least in terms of "government," we will not seek a unified China. The truth is, we should be satisfied if Taiwan has some influence in the mainland. To rule the mainland is an impossibility.

People with a very strong sense of nationality want to unify China under the Three People's Principle (nationalism, democracy, and the people's livelihood) and Chinese culture. What is Shen Chun-shan's assessment?

He says he respects their thinking. But in Taiwan, with the growing sense of democracy, if one wants "power," one must have the "people." "Nationalism" should not be an abstract concept; it must be founded on the "people." If nationalism is not based on the people of Taiwan and has nothing to do with the mainland people, then nationalism is just an empty shell, an abstract concept. Thus, in Taiwan, only those who have lost power, only those who have been abandoned by power, those who are over the hill are still talking about unification with the mainland (that is, seizing power in the mainland.) There is nothing wrong with this kind of abstract nationalism, but from the standpoint of exercising power, this is unrealistic.

Then, what about the future relationship with the mainland? What is the long-term position?

In Shen Chun-shan's opinion, internally, Taiwan will become a democracy based in Taiwan itself. This is the natural course not contingent upon the will of people. In another 18 months, parliament will be mostly, if not completely, re-elected. The few veteran representatives, if there are any left, will not be crucial. Taiwan definitely will become a political body founded on its 200 million people, giving up the sovereign rights over the mainland.

Today, despite disputes over unification and independence and so on, there is little disagreement over the need to set up a democratic, constitutional government with native roots. Based on this kind of public will, the

relationship with the mainland in the future will definitely be in a form compatible with the decision to give up the sovereign rights over the mainland. The majority of the Taiwan people are of the opinion that Taiwan should develop on her own, to be separate but not alienated from the mainland. Perhaps it will be a federation, a confederation, some kind of community, or "one nation, two governments." But it will not be the "one nation, two systems" Communist China wants.

Thus, the standpoint of the mainland policy is very clear. It is "to plant a foothold in Taiwan," as specified in the little black book (the "Mainland Policy at the Present Stage.") Of course, it also says to "have the mainland in view and the whole China in mind." But to view is to look. Anybody can look; Japan too can "view." To have something in mind is to think. Anybody can think. Even the British and the Americans can look and think. But to have a foothold is solid. Foreigners cannot "plant a foothold in Taiwan." Taiwan's mainland policy does not mention "planting a foothold in the mainland," but it does say "plant a foothold in Taiwan." This proves in fact that Taiwan has long had a new standpoint. From now on, having a "foothold in Taiwan" will become more and more important.

The long-term position of the Taiwan-mainland relationship, of course, will depend on whether Communist China who is still insisting on "one nation, two systems." But Shen Chun-shan has pointed out at least one direction Taiwan will follow, which he thinks is not contingent upon the will of people.

From the Taiwan perspective, how soon will a decision be made on this long-term position?

Shen Chun-shan expects to see major revision in mainland policy 18 months from now, and between now and the election at the end of 1989, any change will primarily be internal. Until then, Taiwan will keep to the path of civilian contacts paved by Chiang ching-kuo.

But this kind of civilian contact violates the laws we now have. For example, the "Regulations Regarding the Punishment of Renegades" stipulate a seven year or less prison term for association with renegade groups. At present, most of Mainland China's organizations are CPC organizations, and from the KMT point of view, they are all "renegade groups." But without associating with these groups, it would have been impossible to bring about the relative visitation arrangement.

Shen Chun-shan adds, as far as participation in the Annual State Science Meeting in Beijing is concerned, he has said that one would starve to death if one could not associate with "renegade groups." Besides, these trips to visit relatives often include visits to the Great Wall, finding one's roots in Xinjiang, or even building factories in the coastal cities.

As far as the present civilian contacts are concerned, Shen Chun-shan cites three problems: one, concept; two, policy; three, law.

With respect to concept, at present, people in and out of government, and people in all walks of life have no common concept of the mainland policy, and so there are many different ideas. This is progress, but some ideas are premature; others are obsolete. For example, on the matters of allowing mainland people to come to Taiwan to visit relatives or attend funerals or inviting prominent personnel to come to Taiwan, many want to focus on whether these people are members of the Communist Party and whether they are cadres of the state. But in fact, today's party members often have nothing to do with the Communist Party. Forty years ago, one could be beheaded for joining the Communist Party, and the party members were the party. Today, many joined the party for the sake of their jobs, their future, and their welfare. This is particularly true for members of the National People's Congress and teachers in the state universities. Communist Party members coming to Taiwan as individuals is not equivalent to the Communist Party coming to Taiwan.

But it is not enough just to have new concepts, because the present laws have many restrictions on contacts with the other side. A nation truly ruled by law naturally must revise its laws to avoid enacting unlawful policies. But in Taiwan, because the parliamentary structure has not changed, it is difficult to pass new laws. As a result, as far as the mainland policy is concerned, specific policy measures often precede concept and law. For example, on the matter of Qian Mu's [6929 4476] daughter Qian I [6929 2496] coming to Taiwan, because she was a member of the Communist Youth League and is teaching at the National Qing Hua University, and she is also a member of the National People's Congress, the media has criticized (concept) her visit, and some people have brought the matter to court (law.) People who have brought the matter to court are not trying to give Qian I a hard time; they just want to make things difficult for the government. Because there are conceptual and legal constraints, policy measures cannot stray too far from law and concept.

Then who should decide whether Qian I may or may not come to Taiwan?

The government. Shen Chun-shan says the government should make decision on individual cases based on the welfare of the state and other factors—humanitarian reasons, for example. The state's welfare should be the first consideration, and ideology and dogma are only secondary.

Because of the increasing civilian contacts between the two sides, inevitably, there will be, and there already have been, administrative and judicial interventions. For example, recently, a Taiwanese court found a citizen guilty of bigamy. The court recognized his mainland wife

as his legal wife and his Taiwanese wife of 30 years was rendered a cohabitant. Other situations may involve inheritance, business disputes and arbitration, Taiwanese people violating mainland laws while visiting relatives there, and so on. Is the Taiwanese government going to leave these matters alone, or is it prepared to intervene?

Administrative and judicial interventions seem inevitable. Administrative interventions and political negotiations are two separate matters. In Shen Chun-shan's opinion, 18 months from now, Taiwan will have a specialized organization to handle these matters. Things are already brewing in the Legislative Yuan to promulgate "laws pertaining to the bicoastal relationship."

Until the long-term bicoastal relationship is stabilized, Shen Chun-shan has come up with his personal opinion on the "three no's," the "three do's" and the "three nots."

"Three no's" refers to the present political and official "no contact, no negotiation, and no compromise" stance. The "three do's" are "do try to understand, do intervene, and do set the course." The "three nots" are "dare not fight, cannot fight, and don't want to fight."

The "three no's" needs no explanation. "Do try to understand" is the first of the "three do's." At present, Taiwan does not fully understand the mainland. This is the sequelae of the tradition of refusing to deal with anything "indecent." There are plenty of wishful thinking on this side, but of all the mainland policy decision-makers, none has ever been to the mainland, none is a specialist, and only two subscribes to LIAOWANG. In this environment of total lack of understanding, policies are promulgated only from the Taiwanese perspective. No consideration is given to mainland realities.

"Do intervene" means administrative and judicial intervention, including setting up specialized organs and enacting laws on the bicoastal relationship. In the future, amid the administrative interventions, and through trade relations, communications, commerce, exchange settlement, legal arbitrations and other negotiations, perhaps an equal bicoastal relationship can be forged.

"Do set the course" means making proper choices after the intervention. Taiwan must take the initiative to select moves which benefit Taiwan but do not harm the mainland. For example, inviting prominent personnel to Taiwan. At this point, Shen Chun-shan brings up the issue of bringing some "prominent cultural relics" (Xian's terra-cotta warriors and horses) and "prominent animals" (the pandas) to Taiwan.

The "fight" in the "three nots" is used in a broad sense; it includes hostile intervention. Taiwan's overall objective is to have peaceful competition between the two sides. In national defense, the idea is to make war prohibitively costly to the enemy in order to maintain

the "dare not fight" situation. Taiwan must increase her international diplomatic and economic participation to foster the "cannot fight" situation. Communist China understands Taiwan's separate existence is good for them, and this creates the "don't want to fight" situation.

Shen Chun-shan emphasizes that it needs not be a unanimous "don't want to fight." It is sufficient that some people "don't want to fight." In the future, after Deng Xiaoping, groups and regions with different interests will restrain one another. There will be no fighting because of the mix of "cannot," "dare not," and the partial "do not."

The long-term objective is to have one China. But the time has not come. For now, it is "one, but not unified": one China under two separate but complete government competing on equal terms.

In talking about war, if Communist China should propose a nonaggression pact, how would Taiwan respond? Since it was Li Teng-hui who urged Communist China to give up the idea of taking Taiwan by force at a news conference early last year, Taiwan must have a response to the proposal. And will a nonaggression pact affect the United State's arm sales to Taiwan?

Shen Chun-shan says if Communist China proposes a nonaggression pact, it will certainly have positive implications. It will encourage further exchange between the two sides across the strait, including direct trade and investments. It will bring the present covert transactions into the open and turn the indirect to direct measures. The U.S. arms sales may be used by Communist China as a part of the nonaggression deal. But we are talking about the international level. At this level, there should be some international participation. Only if there is international participation can Taiwan have a realistic sense of security. Communist China may regard this as interfering with internal affairs and make sanctimonious references to nationalism. But mind you, in the 1946 KMT-Communist negotiations, the Communist was emphatic about U.S. participation.

Shen Chun-shan reiterates that all these have been his personal, spontaneous response and do not represent the views of any side. His fundamental stance is that, amid the exchange and contact, he is very enthusiastic about "a common cause to revitalize China," but he is very conservative when it comes to Taiwan's security. The welfare of the Taiwan people is his top priority. He believes that this is Taiwan's overall attitude toward the future relationship between the two sides.

Taiwan has asked Communist China to give up the "four insists." Isn't that asking for too much? Besides, what is the point? How would that facilitate peaceful coexistence?

This is the extension of an old state policy, says Shen Chun-shan. The truth is, the slogans have mellowed over the years—from calling for a counteroffensive on the mainland, to the restoration of the mainland, the unification under the Three People's Principle, and finally to urging Communist China to give up the "four insists." Of course, these are purely ideological; they have very little real meaning.

In fact, of the three main issues Taiwan has brought up with Communist China, giving up the idea of "using force on Taiwan" and giving up the "four insists" are more or less empty issues. The only issue of significance which Taiwan definitely cannot accept is the arrangement of "one nation, two systems," because under this arrangement, Taiwan's executive power will come from the People's Congress of the CPC. The present democratic development in Taiwan insists that the power stems from the people of Taiwan. This is Shen Chun-shan's most important point.

Because he has confidence in Taiwan's democratic development, he thinks the existing chaotic KMT mainland policy is a structural problem, that is, it is an inevitable problem in the transition from power politics to democratic politics, and therefore it is an interim problem. Once the democratic structure is established, the long-term objective and specific movements will stabilize.

Finally, Shen Chun-shan takes out a photo. It was secretly taken by the Taiwan MINSHENG reporter. It shows Shen Chun-shan crossing the street in the congested traffic, unperturbed, hands in his pocket. The newspaper published the picture and commented on Taiwan's traffic problem and Shen Chun-shan's jaywalking. Shen says Taiwan's traffic is terrible—drivers ignore regulations, and pedestrians ignore rules. But there seems to be some kind of tacit understanding among the drivers, and between drivers and pedestrians. The drivers always get home, and the pedestrians always manage to cross the street. But one must be patient and take it easy. In Chinese politics, tacit understanding often replaces rules and regulations. Policies that pertain to the mainland is the same. We cannot go as we please—the other side is a truck, and it can be dangerous. Nor can we just stand still—we cannot refuse to cross the street. Only with patience, and a little tacit understanding, can we seize the right moment. Today's mainland policy is as chaotic as Taipei's traffic, but we need not be anxious. We must be patient and take it easy for a year or two. Eventually, we will get home.

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